

<b>Title:</b> <b>New and amended permitted development rights to support housing, schools etc, hospitals, and ports, and to protect heritage</b>  <b>IA No:</b> <b>RPC Reference No: RPC-CLG-5094(1)</b> <b>Lead department or agency: Ministry of Housing, Communities and Local Government</b>	<b>Impact Assessment (IA)</b>
	<b>Date: Drafted</b> July 2021
	<b>Stage: Implementation</b>
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Secondary Legislation
	<b>Contact for enquiries:</b> Maria Darby 0303 444 1463
<b>Summary: Intervention and Options</b>	<b>RPC Opinion: Green</b>

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status Qualifying provision
£1,203.6m	£1,192.9m	-£138.6m	

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

The government is committed to boosting economic recovery, high streets, and housing delivery. It also wants to make it easier to speed up the delivery of public service infrastructure, and support businesses in response to the Covid-19 pandemic and protect outdoor, historic statues, memorials, and monuments.

To support these aims, the government continues to demonstrate its commitment to simplifying and speeding up the planning system to make effective use of buildings and deliver more homes, and enable existing public service buildings to be extended, through a raft of planning reforms including the introduction of new and amended permitted development rights. In response to concerns about the removal, without due process, of historic statues whose meaning has become the subject of disagreement because who or what they represent is not in line with contemporary values, the government is also ensuring that there is local consideration of proposals to demolish statues, memorials or monuments.

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

To support economic recovery, high streets and town centres and enable them to adapt to changing market demands the Government has from 1 September 2020 introduced a new Commercial, Business and Service use class (E) which includes those uses most often found on the high street. Planning permission is not required to change between uses within the use class. To go further by providing greater flexibility and enable a greater range of uses to benefit from permitted development rights, the government is introducing a new national permitted development right to allow for the change of use from the new Class E to residential. This right replaces and broadens the scope of some existing rights so that uses within Class E can change use to new homes: supporting housing delivery and the diversity of high streets and town centres. It will support our broader economic recovery through a simplified planning process which provides greater planning certainty and development.

At the same time changes are being made to existing permitted development rights to allow for a wider range of development and operational activities to take place within port areas, and for larger extensions to be made to schools, colleges, universities, hospitals, and for the first time, prisons.

Permitted development rights are also being removed for the demolition of statues, memorials and monuments to ensure they are appropriately protected and are given proper consideration through the planning application process.

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

Doing nothing would mean that many Class E uses would not benefit from permitted development rights to change to residential use at a time when the government is seeking to support the country's economic renewal and the regeneration of our towns and cities.

Doing nothing would not support the development of important public service infrastructure such as schools or hospitals, and the development of ports, nor would it provide protections for statues and monuments.

Introducing the new and amended rights will support housing delivery, high streets, public service infrastructure and ports, including freeports, and provide protections for statues, memorials and monuments.

<b>Will the policy be reviewed?</b>	<b>Yes</b>	<b>If applicable, set review date: April 2026</b>		
Is this measure likely to impact on international trade and investment?	No			
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, 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: Christopher Pincher MP Date: 20th January 2022

# Summary: Analysis & Evidence

# Policy Option 1

## Description:

### FULL ECONOMIC ASSESSMENT

Price Base Year 2021	PV Base Year 2021	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 467.6	High: 2150.1	Best Estimate: 1308.7

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
	Low	0		
High	0		1.2	10.2
Best Estimate	0		1.3	11.5

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

There are no costs to business from the majority of these measures. There will be a cost to owners/developers of £8.2m (range £7.8m to £8.6m) over the appraisal period where the change of use of an office now requires a fee per dwelling compared with a flat rate fee of £96.

There will be a small cost to universities arising from the introduction of a prior approval requirement, and associated fee, to consider the impact of larger extensions in built up areas. There will be a cost to the owners of statues, memorials and monuments (most are likely to be owned by local authorities and public institutions) who will now have to pay a planning application fee. There will be a cost to local planning authorities from having to determine applications relating to statues, memorials and monuments which will be offset by fees.

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

Additional pressure on local infrastructure from new homes. Loss or displacement of some local services or viable Commercial, Business and Service uses to higher value residential.

There may be some amenity impacts on neighbours from expanded schools, hospitals or prisons, or increased operations at ports.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
	Low	0		
High	0		217.1	2162.8
Best Estimate	0		132.8	1320.2

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

For Class E buildings (excluding offices), businesses (developers) will benefit from reduced planning fees by no longer being required to submit a full planning application in more cases (£25.0m over 10 years). Class E businesses excluding offices (owners of eligible buildings) will benefit from net land value uplift under this right of £1.6bn in the central scenario. However, there will be a loss of Land Value Uplift for office buildings as a result of the new 1,500sqm floor space requirement and vacancy requirement estimated to be £378m in the central scenario. The total net land value uplift is therefore estimated to be £1.3bn in the central case. Port operators and businesses will benefit from the greater planning flexibility and reduced costs. Local planning authorities will benefit from having fewer planning applications to determine in respect the change of use, but this will be offset by the reduced fee for prior approval. Local planning authorities will benefit from having fewer planning applications to determine in respect of larger extensions to schools and hospitals etc, and port development.

**Other key non-monetised benefits by ‘main affected groups’**

Businesses (developers) will benefit from increased planning certainty and reduced planning requirements on eligible Commercial, Business and Service premises.

Communities will benefit from the additional housing created.

Communities will benefit from additional public service infrastructure in the form of additional school, college, university and hospital capacity.

Communities will benefit from being given a say on the potential removal of statues, memorials or monuments.

**Key assumptions/sensitivities/risks**

**Discount rate**

3.5%

The analysis is sensitive to some key modelling assumptions and where possible we have used data to inform key assumptions. For example, to estimate the number of prior approvals for Class E buildings we use historic prior approval data from the office-to-residential PDR to proxy take-up rates for the new buildings in scope. In some limited cases there is no data available, and therefore it has been necessary to make illustrative assumptions to reflect a range of scenarios. For instance, we do not hold data to estimate the additionality of Class E (excluding office) units delivered (i.e. what proportion of these units would not have been delivered in the counterfactual). Due to the difficulty in obtaining planning permission for conversion to residential for certain types of buildings within this use class, we expect a significant proportion of the units delivered to be additional.

**BUSINESS ASSESSMENT (Option 1)**

<b>Direct impact on business (Equivalent Annual – 2021 Prices, 2021 Base Year) £m:</b>			<b>Score for Business Impact Target (qualifying provisions only) £m:</b>
<b>Costs: 1.3</b>	<b>Benefits: 152.0</b>	<b>Net: -150.7</b>	

## Evidence Base (for summary sheets)

Government laid legislation<sup>1</sup> on 31 March to introduce new and amended national permitted development rights to support high streets, housing delivery, public service infrastructure and ports, and to allow for local consideration of the removal of historic statues, memorials and monuments. The government is best placed to intervene in the operation of the planning system in support of these measures, and this can only be done through legislation.

Mirroring and building on the measures set out in this legislation, this impact assessment covers:

- A. A new national permitted development rights for the change of use from the Commercial, Business and Service use class to residential use. **Page 6**
- B. Amendments to existing rights to support schools, colleges, universities and hospitals, and for the first time, prisons. **Page 31**
- C. Amendments to an existing right to support ports, including Freeports. **Page 39**
- D. Amendments to an existing right to provide protection for statues, memorials and monuments. **Page 44**
- E. The introduction of prior approval fees for A, extensions to universities included in B, and to extend dwellinghouses upwards to create additional living space. **Page 47**
- F. Total monetised impacts of the changes. **Page 49**
- G. Monitoring and evaluation **Page 50**

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<sup>1</sup> <https://www.legislation.gov.uk/uksi/2021/428/contents/made>

## **A. A NEW NATIONAL PERMITTED DEVELOPMENT RIGHT FOR THE CHANGE OF USE FROM THE COMMERCIAL, BUSINESS AND SERVICE USE CLASS (E) TO RESIDENTIAL**

### **Policy background/problem under consideration & rationale for intervention**

Government sets the legal and policy framework within which the development industry operates. It has reaffirmed its commitment to continue progress towards the delivery of 300,000 new homes a year in England by the mid-2020s, and of making best use of previously developed brownfield sites. In support of this, the government aims to deliver a million new homes of all tenures over the course of this Parliament. Last year saw around 244,000 new homes delivered, the highest in over 30 years.

Our high streets and town centres continue to face challenges, including from the structural changes in consumer spending and retailing and in particular the rise in online shopping. The Covid-19 pandemic has magnified the problems facing town centres and high streets. Government wants to support town centres and high streets in adapting to these changes to become thriving, vibrant hubs where people live, shop, use services, and spend their leisure time. To provide greater flexibility and enable businesses to respond rapidly to changing market demands from 1 September 2020 government introduced a new planning use class. The Commercial, Business and Service use class (E) includes uses generally found on the high street such as shops, banks, restaurants and broadens it to encompass a wider range of uses such as gyms, creches and offices. This provides greater flexibility to move between such uses, and to provide for a mix of such uses, without the need for a planning application.

In his statement of 30 June 2020 the Prime Minister said that we would provide for a wider range of commercial buildings to be allowed to change to residential use without the need for a planning application. To meet this aim, ensure that existing permitted development rights for change of use apply to uses now within the new Class E, support housing delivery and bring additional residents into high streets and town centres, government consulted in December 2020 on a new national permitted development right for the change of use from the new Commercial, Business and Service (Class E) use class to residential use. Government has now introduced legislation that will allow applications for prior approval from 1 August 2021.

Permitted development rights provide a more streamlined planning process with greater planning certainty, while at the same time allowing for local consideration of key planning matters, set out in a light touch prior approval process. Individual rights provide for a wide range of development. While traditionally for quite minor development, such rights have been increasingly used in recent years to support the provision of new homes through change of use of existing buildings and extending buildings upwards, as well as key government agendas such as high streets.

### **Policy objective**

To support economic recovery the government continues to demonstrate its commitment to simplifying and speeding up the planning system to make effective use of land, support high streets and town centres, and deliver more homes through a raft of planning reforms including the introduction of new and amended permitted development rights.

Government is committed to boosting regeneration, supporting our high streets and town centres, and delivering the housing the country needs. High streets and town centres are continuing to struggle; with changing customer demands and the shift to online shopping. Increasingly such areas are being seen as places where people want to go for shops, restaurants, leisure and to live. This diversification will support the vitality of such areas and the communities they serve.

There is an ongoing housing shortage, including in our towns and cities, and rural areas. The government is committed to delivering a million homes by the end of this parliament. National permitted development rights have an important role to play in housing delivery, making effective use of existing buildings and reducing the need to build on greenfield land.

The government consulted in 2020 on the introduction of a new permitted development right to support housing delivery through the change of use from the Commercial, Business and Service use class to residential: <https://www.gov.uk/government/consultations/supporting-housing-delivery-and-public-service-infrastructure>. Following the outcome of this, the government is now introducing the right, and applications may be made from 1 August 2021. The right will support the delivery of the governments housing ambitions and wider economic recovery, through providing a simplified planning process which provides greater planning certainty.

## **Description of options considered**

- a) A permitted development right for the change of use from the Commercial Business and Service use class to residential use

The Secretary of State has powers to grant planning permission by development order for specified development. These national permitted development rights as set out in the Town and Country Planning (General Permitted Development) (England) Order 2015, as amended, (the GPDO) are deregulatory: removing the need for a full planning application, and therefore reducing bureaucracy and cost. Permitted development rights subject to prior approval allow for local consideration of specific planning matters as set out in legislation.

Following consultation, the government has introduced a new national permitted development right to allow for the change of use from uses within the Commercial, Business and Service use class to residential. This right will deliver new homes in support of the governments housing ambitions and boost economic recovery. The right will apply to all such uses in England, including in suburban and rural areas, and support the diversification of our high streets and town centres, bringing additional residents to such areas.

- b) Do nothing

Doing nothing would not deliver on the government's ambition to support housing delivery and our high streets and town centres.

## **Summary of preferred option**

The government has brought forward legislation to introduce a new national permitted development right to Part 3 of the GPDO to allow for the change of use from the Commercial, Business and Service use class to residential use.

To support high streets and town centres, from 1 September 2020 the new Commercial, Business and Service use class (E), enables them to quickly adapt to changing market demands and provide a mix of retail, commercial and leisure uses. The use class groups together a wide range of uses commonly found on high streets and town centres and provides for movement between such uses without the need for a planning application. While such uses are often found in town centres, in practice the use classes apply everywhere, in all cases. The Commercial, Business and Service<sup>2</sup> use class comprises the following uses which were previously spread across various use classes.

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<sup>2</sup> <https://www.legislation.gov.uk/uksi/2020/757/regulation/13/made>

## **Class E. Commercial, Business and Service**

Use, or part use, for all or any of the following purposes—

- (a) for the display or retail sale of goods, other than hot food, principally to visiting members of the public,
- (b) for the sale of food and drink principally to visiting members of the public where consumption of that food and drink is mostly undertaken on the premises,
- (c) for the provision of the following kinds of services principally to visiting members of the public—
  - (i) financial services,
  - (ii) professional services (other than health or medical services), or
  - (iii) any other services which it is appropriate to provide in a commercial, business or service locality,
- (d) for indoor sport, recreation or fitness, not involving motorised vehicles or firearms, principally to visiting members of the public,
- (e) for the provision of medical or health services, principally to visiting members of the public, except the use of premises attached to the residence of the consultant or practitioner,
- (f) for a creche, day nursery or day centre, not including a residential use, principally to visiting members of the public,
- (g) for—
  - (i) an office to carry out any operational or administrative functions,
  - (ii) the research and development of products or processes, or
  - (iii) any industrial process,being a use, which can be carried out in any residential area without detriment to the amenity of that area by reason of noise, vibration, smell, fumes, smoke, soot, ash, dust or grit.

The right will allow for the change of use of premises within such uses, or a mix of such uses, to residential use (C3). The buildings able to change use under the right will be subject to a cumulative size limit of 1500 sq m floorspace changing use but there will be no height limit, and applications can be made in respect of the whole or part of the building. The building will need to have been vacant for three continuous months before using the right. This will not include time closed due to Covid restrictions. In addition, the building will need to have been in a Class E use for 2 years before changing use. (Time in a use such as A1 shops, and B1 (a) offices now within the Commercial, Business and Service use class will count towards this period.) The right will not apply to listed buildings, or in national parks or areas of outstanding natural beauty, however it will apply in conservation areas.

The right is subject to prior approval by the local planning authority in respect of specific matters for prior approval set out in legislation, including flooding, contamination, the impact of noise from commercial uses on residents, and the impact on residents from the introduction of residential use in an area the authority considers is important for heavy industry, waste management, or storage and distribution. A further prior approval will allow for the consideration of the impact of the loss of health centres or children's nurseries. In conservation areas only, there will be an additional prior approval in respect of the impact of the loss of the ground floor on the sustainability or character of the conservation area. The prior approval in respect of fire safety noted in consultation document will be introduced separately at a later date. There will be a prior approval fee of £100 per dwellinghouse created.

On 30 September 2020, the Secretary of State announced that all new homes delivered through permitted development rights would be required to meet space standards. Therefore, each home delivered under the right must be no smaller than 37 sq. m and meet the Nationally Described Space Standards. In addition, the right allows for prior approval in respect of the provision of adequate natural light in all habitable rooms. Together these measures will help to ensure the delivery of quality homes.



The legislation was laid on 31 March 2021 to provide notice for local planning authorities and developers, however applications for prior approval may not be submitted until on or after 1 August 2021.

Some existing permitted development rights already provide for some of the uses now within the Commercial, Business and Service use class to change to residential use, for example shops, financial and professional services, and offices and these will continue to apply until 31 July 2021. From 1 August, the single national right will provide clarity and greater certainty to both users of the planning system and local planning authorities. The local planning authority has 56 days in which to grant or refuse prior approval, or to confirm that prior approval is not required. Applications not determined within that time are considered to have deemed consent, but development must meet the conditions and limitations of the right.

All development, whether granted permission following a planning application or through a national permitted development right is legally required to comply with the Building Regulations 2010 (S.I. 2010/2214), as amended (“the Building Regulations”), including in respect of fire safety.

### The impact of the office to residential permitted development right

The national permitted development right for the change of use from offices (B1 (a)) to residential (C3) was made permanent<sup>3</sup> on 6 April 2016 (Class O). The policy objective was to allow more offices to be able to change to residential use without the need for a full planning application, so that such changes of use could take place more quickly and with more planning certainty and so help ensure more new homes are created through the re-use of such buildings.

The impact assessment prepared alongside the regulations (IA No: RPC15-CLG-3032 (2)) estimated that between 3,800 and 11,400 new dwellings would be created each year under the right. It also estimated that the owners of such buildings would benefit from a land value uplift of £609.7 million as the reduced cost and increased certainty of the right would lead to an increase in valuation of convertible office space.

MHCLG planning application data shows that in the period from April 2016 to March 2020 there were 8,948 applications for prior approval, of which 6,841 (76.4%) were able to proceed. MHCLG net additions data shows that 51,974 new homes were delivered under the right over the four years between April 2016 and March 2020<sup>4</sup>. This means that the measure has exceeded the upper end of the forecast in terms of housing delivery over this period. This equates to 5.5% of the total net housing additions for that period (925,273). A Post Implementation Review of this right will be published.

There have been reports that some businesses have been displaced as a result of the right and that it has led to a shortage of office space particularly for start-ups. The office to residential permitted development right is deregulatory, reducing the burden on business, while delivering more new homes than would otherwise have been brought forward under a planning application. Experience of the right, and in particular the greater planning certainty it provided for developers, led government to introduce further permitted development rights for the change of use of other types of buildings, and more recently for the construction of new homes through extending buildings upwards to create new homes. The government is now going further by introducing a new right for the change of use from the Commercial Business and Service use class to residential, within which offices now fall. This broader right will replace the right for the change of use from offices from 1 August 2021.

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<sup>3</sup> <https://www.legislation.gov.uk/ukxi/2016/332/made>

<sup>4</sup> Table 123 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-net-supply-of-housing>

The permitted development right

The new permitted development right for the change of use from the Commercial, Business and Service use class to residential is deregulatory: removing the need for a planning application and thereby benefiting building owners and developers (individuals and business) by providing greater planning certainty and reducing costs. Use of the new PDR will generate financial savings to developers from the reduced costs of preparing applications and lower planning fees per dwellinghouse.

The Commercial, Business and Service use class is very broad, potentially bringing a wider range of buildings into scope of permitted development rights for the change of use to residential for the first time. This includes uses such as gyms, research and development, and restaurants.

The new right will subsume some existing rights in whole or in part as set out below:

Existing Right	Existing Rights	Existing Rights	New Right
<b>Office (B1 (a)) to residential Class O</b>	<b>Retail (A1, A2), takeaway (A5) betting shop, pay day loan shop, launderette to residential Class M</b>	<b>Light industrial (B 1 (c)) to residential Class PA –</b>  <b>NB ceased to have effect from 1 October 2020</b>	<b>Commercial Business and Service (E) to residential Class MA</b>
	Size limit 150 sq m	Size limit 500 sq m	Size limit 1,500 sq m
			3 month vacancy requirement
Matters for prior approval: <ul style="list-style-type: none"> <li>• Flooding</li> <li>• Transport and highways</li> <li>• Contamination</li> <li>• Noise</li> <li>• Natural light</li> </ul>	Matters for prior approval: <ul style="list-style-type: none"> <li>• Flooding</li> <li>• Transport and highways</li> <li>• Contamination</li> <li>• The impact of the change of use on the adequate provision of such services, or where the building is located in a key shopping area, the impact of the change of use on the sustainability of that shopping area.</li> <li>• Natural light</li> </ul>	Matters for prior approval: <ul style="list-style-type: none"> <li>• Flooding</li> <li>• Transport and highways</li> <li>• Contamination</li> <li>• Impact on the provision of industrial services or storage and distribution from the change of use to residential</li> <li>• Natural light</li> </ul>	Matters for prior approval: <ul style="list-style-type: none"> <li>• Flooding</li> <li>• Transport</li> <li>• Contamination</li> <li>• Noise</li> <li>• Impact on residents from the change of use in an area important for industrial, storage or distribution, or waste management</li> <li>• In conservation areas only - the impact of the loss of ground floor use to residential</li> <li>• Impact of loss of health centres and</li> </ul>

	<ul style="list-style-type: none"> <li>Design and external appearance</li> </ul>		<ul style="list-style-type: none"> <li>nurseries on local services</li> <li>Natural light</li> </ul>
Building in such use on 29 May 2013	Building in such use on 20 March 2013	Building in such use on 19 March 2014	Rolling period – building to have been in Class E use for two years, including any time spent in predecessor use classes
	Does not apply in article 2 (3) land		Applies in conservation areas, but not other article 2 (3) land such as national parks
	Provides for physical works reasonably necessary to change use		
Homes required to meet space standards from 6 April 2021	Homes required to meet space standards from 6 April 2021		Homes will be required to meet space standards
	Class M will continue to apply to takeaways, betting shops, pay day loan shops, and launderettes		

It will subsume the existing permitted development for the change of use from office to residential which has delivered 51,974 homes<sup>5</sup> in the four years to March 2020. In doing so, the right would be opened up to bring more buildings in scope, by removing the date of May 2013 at which the buildings must have been in office use. However, the new right is more constrained through the addition of a size limit, vacancy requirement, and more matters for prior approval. This includes consideration of the impact on residents from the change of use in an area important for industrial, storage or distribution, or waste management, and in conservation areas only, the impact of the loss of ground floor use to residential. From 6 April 2021 new homes delivered under the office to residential right are required to meet the nationally described space standards. This is likely to have resulted in some bigger developments delivering fewer, but larger and better quality, homes than would otherwise have been the case.

The right allows for up to 1,500 sq m of floorspace in a building to change use. This will allow for the change of use of a building or part of a building, such as the top floors, while leaving the ground floor in Commercial, Business and Service use. Some larger buildings have a deep floorplate that are not easy to change use to residential while providing adequate natural light. Based on the minimum nationally described space standard of 37 sq m, a floorspace of 1,500

<sup>5</sup> <https://www.gov.uk/government/statistical-data-sets/live-tables-on-net-supply-of-housing>

sq m would allow for up to 40 one bed homes. Evidence from the UCL research into PDRs<sup>6</sup> suggests that for the right to date a significant proportion of the developments are already below 1,500sqm. Where there is a larger building over 1,500sqm, the developer may: change part of the building, submit a planning application for the change of use of the remainder, do nothing, or use the right as the basis of negotiation for a planning application of the entire building.

The new right will provide for some protection against the displacement of existing business through a three-month vacancy requirement. Depending on local market conditions this will help to guard against the loss of viable businesses including on the high street. It also gives rise to less pressure on the availability of such premises and rents. However in doing so, it is more constrained than the original right.

The measure is expected to result in additional housing supply even though fewer office-to-residential conversions are estimated to take place through PDRs as a result of the vacancy requirement and limit on floorspace.

The original Class PA right for the change of use from light industrial to residential use that delivered 226 homes in the three years to March 2020 ceased to have effect from October 2020. However it will now be replaced by this new right, which will also benefit larger buildings, bring newer buildings in scope, and therefore see more homes delivered.

The existing Class M right for change of use from retail (shops and financial and professional services, takeaways, pay day loan shops, betting offices and launderettes), while not separately counted, is likely to have made a significant contribution to the 3,585 'other to residential' homes from 2015/16 to 2019/20. The right required the building to have been in use on 20 March 2013, and this requirement will fall away, bringing more buildings in scope. Critically, the current size limit of 150 sq. m that applies to shops and banks will be expanded to 1,500 sq m in the new right in order that larger buildings, will be able to benefit from the greater planning certainty to change use afforded by the right. Such buildings, previously within A1 and A2 will be a small proportion of the volumes changing use under the wider Commercial, Business and Service right. The Class M right will continue to apply to takeaways, pay day loan shops, betting offices and launderettes.

Take-up of the new right is expected to be driven by the greater planning certainty and reduced costs for developers associated from gaining permission. Experience of permitted development rights to date is that they have been successful in delivering homes above that which might otherwise have come forward through a planning application. Planning applications are determined in accordance with the local plan, including in respect of town centre / high street policies. The prior approval process provides limited matters on which the local planning authority may refuse permission. It is reasonable to expect therefore that the right will prove attractive to premises in such areas and that therefore a higher volume will come forward as applications for prior approval than would have come forward under a planning application. Experience of permitted development rights to date, such as office to residential, is that many of the homes delivered as a result will be additional to those that might otherwise have come forward under a planning application. Such homes make a valuable contribution to local net housing delivery.

## **Methodology for estimating buildings within scope of the measure and analysis**

We split the analysis into two parts – the first to capture Class E buildings (excluding offices) that weren't subject to a PDR in most cases, and the second which looks at office buildings that are now subject to greater restrictions.

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In order to estimate the potential scale of change an estimate is needed of the number of buildings within scope of the measure. The department does not directly hold this data, and therefore data sources used, and assumptions are outlined below.

The stock of Class E (excluding offices) buildings were identified using a 2019 version of Ordnance Survey's AddressBase Premium data. The AddressBase classification code was matched as closely as possible to use types in Class E (excluding offices). We filtered through the AddressBase classification codes to match those most closely aligned with Class E (excluding offices).

Since buildings inside National Parks or AONBs are not in scope, figures were adjusted to account for this. A random sample of 0.1% of all commercial addresses were selected and point coordinates were compared with National Park and AONB boundaries. This showed that 2% of these addresses were inside a National Park or AONB so figures were adjusted down accordingly. After filtering for Class E (excluding offices) buildings in scope, we obtained an estimate of 917k address points.

It was also necessary to make an adjustment to convert the estimated address points into the estimated number of buildings. Using the OS data, we make an adjustment downwards of 1.5% to account for buildings with multiple address points<sup>7</sup>. This results in an estimate of 903k Class E (excluding office) buildings.

#### Calculations for non-office buildings (Class E excluding offices)

To calculate buildings in scope, we adjust the stock of buildings to account for the vacancy requirement. We use data from Sqwyre on the average occupancy for retail buildings which is used a proxy for the average occupancy of Class E buildings (excluding offices). According to Sqwyre, the median occupancy for retail buildings is 1,553 days. Dividing this by 365 days in a year results in an estimated median occupancy of 4.3 years for Class E buildings (excluding offices). Therefore, it is estimated that a commercial building will become vacant on average every 4.3 years. Whilst this estimate doesn't exactly correspond to the 3-month vacancy requirement, this is the best data we have available to proxy the number of eligible buildings in a given year. We therefore divide the 903k estimate of the buildings in scope by this factor of 4.3 years to provide an estimate of the number of eligible buildings in a given year.

In future years, we assume that the number of vacant properties continues to grow. We don't hold data on the growth rate of vacant Class E properties (excluding offices), therefore as a proxy for this we use a 3-year average growth rate in rateable properties from 2016/17 to 2018/19<sup>8</sup>, which according to VOA administrative data<sup>9</sup> is 1.92%.

This gives the potential number of vacant properties shown in Table 1 below.

*Table 1: Estimated number of vacant Class E properties that are not offices (rounded)*

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
216,320	220,460	224,680	228,990	233,370	237,840	242,400	247,040	251,780	256,600

<sup>7</sup> This adjustment was made by matching Unique Property Reference Numbers (UPRNs) and parent UPRNs and counting only addresses which share a parent UPRN once.

<sup>8</sup> According to VOA, a rateable property is "a unit of property that is, or may become, liable to non-domestic rating and thus appears in a rating list"

<sup>9</sup> Table SOP3.0 Total – number of rateable properties by administrative areas, data to 31 March 2019

We then work out how many of these properties might be subject to a prior approval in each year. To do this, we use evidence from the office to residential PDR. When this was implemented, we estimate there were around 325k office buildings in scope. This is taken from VOA administrative data<sup>10</sup> using the 2012-13 figure for the number of offices, and excludes those in the City of London, Hammersmith and Fulham and Kensington and Chelsea as these LAs were exempt when the office-to-residential PDR was introduced. We also know how many prior approvals were granted in each year since it was introduced up to the seventh financial year. As we have limited evidence on the number of future prior approvals, we assume that the number of prior approvals granted from Year 8 to Year 10 remains at the same level as Year 7. The number of prior approvals granted, or approval not required, since office to residential was introduced is summarised in Table 2 below.

*Table 2: Number of prior approvals granted, or prior approval not required, in financial years since the office to residential PDR was introduced*

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
3,281 <sup>11</sup>	3,281	2,630	2,228	1,844	1,445	1,321	1,321	1,321	1,321

To calculate take-up of the new class E PDR, we then divide the number of prior approvals granted by the total number of offices in scope prior to the new regulations coming into force (325k). While in practice multiple prior approvals could be granted for the same property, the statistics do not go into this level of granularity.

*Table 3: Assumed number of prior approvals granted or prior approval not required as a total proportion of the stock*

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1.01%	1.01%	0.81%	0.69%	0.57%	0.44%	0.41%	0.41%	0.41%	0.41%

We then apply the percentages in Table 3 to the assumed number of vacant properties in Table 1. These give the estimated number of prior approvals granted or prior approval not required for Class E properties (excluding offices) in Table 4.

*Table 4: Estimated total number of prior approvals granted or prior approval not required for Class E properties that are not offices*

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
2,184	2,226	1,818	1,570	1,324	1,057	985	1,004	1,023	1,043	14,234

In practice there may also be some prior approvals granted, where units are not actually delivered. The UCL study<sup>12</sup> commissioned by the Department suggested that 64% of prior approvals were ultimately implemented, which is the assumption used in this analysis. This assumption is applied to the figures in Table 4 to give us the number of schemes that deliver actual units in Table 5 below.

*Table 5: Estimated total number of prior approval schemes that are implemented for Class E properties that are not offices*

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total

<sup>10</sup> Table SOP5.0: Office sector – number of rateable properties by administrative area, data to 31 March 2019

<sup>11</sup> For the purpose of this impact assessment it has been assumed that the number of prior approvals in Year 1 was the same as in Year 2.

<sup>12</sup>

1,398	1,424	1,164	1,005	847	677	631	643	655	667	9,110
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### Calculations for office buildings

To estimate the change in the number of units delivered from offices of this new PDR it is necessary to estimate the number of prior approvals in the policy option and the counterfactual.

To calculate prior approvals that would have been granted in the counterfactual, we look at prior approvals granted for the office to residential PDR in each financial year. We estimate that from 2021 to 2030 there will be 1,321 prior approvals (either prior approvals granted or prior approvals not required) for offices each year (13,210 over the appraisal period). This is based on the latest prior approvals data for office to residential conversions for 19/20<sup>13</sup>. Due to uncertainty over how the prior approvals for offices will change over the appraisal period in the counterfactual we have assumed it remains constant. Applying the assumption that 64% of these prior approvals are implemented leads to an estimate of 845 prior approvals that will be implemented each year from 2021 to 2030 (8,454 over the appraisal period).

In the policy option, there is a vacancy requirement of 3 months which is a new requirement for use of the PDR. Previously, some prior approvals for offices would have been granted for occupied offices and therefore would be out of scope for the current measure unless they become vacant. A study commissioned by the Greater London Authority (GLA) found that 40% of PDR schemes across London involved fully occupied buildings<sup>14</sup>. Whilst a limitation of this estimate is that it only covers London and not the whole of England, this is the best estimate we hold of the proportion of prior approvals that were granted for offices in fully occupied space<sup>15</sup>.

We expect a significant proportion of the units that were previously occupied when using the PDR to still use the PDR despite the new vacancy requirement. Depending on local market conditions, there are still significant incentives to using the new PDR due to the potential for higher rents associated with converting the building from office to residential, and also changes in working patterns such as home working. The department does not hold data on the proportion of the 40% of prior approvals that were granted for offices in fully occupied spaces that would still use the PDR. Therefore in the absence of this evidence, we have made a modelling assumption that 70%-90% (central 80%) of the prior approvals in previously fully occupied buildings would still come forward despite the vacancy requirement. The range in this assumption reflects some uncertainty as to how common this will be, however it is expected to be high due to the potential returns associated with converting to residential particularly in certain high value areas. This assumption has been sense tested internally due to the lack of data.

The next step is to consider what happens to the remaining 20% in the central case (range of 10% to 30%) of previous prior approvals that were occupied in the counterfactual but no longer use the PDR. The alternative to using the PDR if the building is still to be converted to residential is to use a planning application. We estimate that 91% of these offices would still be converted using planning applications. This is estimated using data from the impact assessment RPC15-CLG-3032 (2) using the percentage increase in the certainty of planning approvals<sup>16</sup>. The proportion of units that come forward through planning applications anyway is calculated to be  $1 - 0.09 = 0.91$ . Therefore 91% of the offices that were fully occupied previously but do not use the PDR are estimated to be delivered through planning applications. It is then assumed that

<sup>13</sup> <https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics> Table PDR2: district planning authorities – applications for prior approvals for permitted developments, England

<sup>14</sup> [https://www.london.gov.uk/sites/default/files/london\\_office\\_policy\\_review\\_2017\\_final\\_17\\_06\\_07.pdf](https://www.london.gov.uk/sites/default/files/london_office_policy_review_2017_final_17_06_07.pdf)

<sup>15</sup> Research by London Councils suggests that 39% of prior approvals were granted for offices for fully occupied spaces, which whilst is limited by the sample used is broadly consistent with the assumption we have adopted <https://www.londoncouncils.gov.uk/our-key-themes/housing-and-planning/permitted-development-rights/impact-permitted-development-rights>

<sup>16</sup> This is assumed to be 9.3% and is calculated as  $((94-86)/86)*100$

the remaining 9% of these offices that were fully occupied but do not use the PDR would no longer be converted to residential.

After removing the units that would no longer be delivered due to the vacancy requirement (and also do not use planning applications to convert), it is then possible to estimate the number of projects that would continue despite the new measures. Here we apply the assumption that 64% of PDRs would be implemented based on UCL research. We apply the same assumption here for the proportion of units that revert to planning that are then implemented as these are the same building types.

Making the above adjustment, we estimate that from 2021 to 2030 836 to 842 office projects (central 839) would continue with the new measures each year (either through the PDR or through planning applications) and are implemented. This leads to a range of 8,360 to 8,423 (central 8,391) projects over the appraisal period. Each of the steps above taken to estimate the projects that would continue with the new measures are set out in Table 6 below.

Table 6: Approach taken to estimate the office projects that would continue with new measures and implemented (each year from 2021 to 2030)

		Assumption/calculation	Low	Central	High
(a)	Total PDRs	Using historic prior approval data	1,321	1,321	1,321
(b)	PDRs that were previously occupied	(a)*40%	528	528	528
(c)	Projects that still use the PDR despite occupied	(b)*80% (range 70%-90%)	370	423	476
(d)	Projects that revert to planning that were previously occupied	((b)-(c))*91%	144	96	48
(e)	PDRs lost for occupied properties	(b)-(c)-(d)	15	10	5
(f)	PDRs that would continue with new measure	(a)-(d)-(e)	1,162	1,215	1,268
(g)	PDRs that would continue with new measures and implemented	(f)*64% <sup>17</sup>	744	778	812
(h)	Projects that would still continue through planning and implemented	(d)*64%	92	61	31

<sup>17</sup> This is assuming 64% of these PDRs would have actually been implemented



(i)	Projects that would continue with new measures and implemented	(g)+(h)	836	839	842
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Calculating units lost / gained through the measures

a) Units gained from Class E buildings (excluding offices)

To estimate the units gained from Class E buildings (excluding offices) it is first necessary to multiply the figures in Table 5 by the mean number of units per scheme. We use Energy Performance Certificate data<sup>18</sup> and use the 75<sup>th</sup> percentile for floor area for these buildings under 1,500sqm, which is 243.7sqm. The reason that we use the 75<sup>th</sup> percentile is that we expect developers to get economies of scale from larger conversions as has been the case with the office-to-residential PDR according to the UCL research on PDRs. We estimate the mean size per unit to be 45sqm by calculating a weighted average of space standards for different unit sizes and the unit splits from the UCL research<sup>19</sup> on PDRs. This results in an average number of units per scheme for Class E buildings (excluding offices) of 5.5<sup>20</sup>.

Multiplying the total number of prior approval schemes implemented for Class E buildings excluding offices (Table 5) by the 5.5 units per scheme, we can estimate the gross number of units delivered using the PDR which is summarised in Table 7 below<sup>21</sup>. It is assumed that there is a one-year lag between the grant of prior approval and the new units being delivered, therefore the modelling suggests that no Class E units will be gained from the PDR in the first year.

Table 7: Gross units delivered from Class E (excluding offices) PDR (rounded)

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
0 <sup>22</sup>	7,640	7,790	6,360	5,490	4,630	3,700	3,450	3,510	3,580	46,170

To estimate the net uptake of Class E (excluding offices) it is necessary to estimate the additionality of these units, i.e. how many of these units would not have been delivered if the new PDR hadn't been introduced. Therefore it's necessary to estimate how many of these units would have been delivered (such as through a planning application) in the counterfactual. The department does not have evidence on this and after exploring available planning data it has not been possible to obtain robust data on planning applications for conversions from Class E to residential to help inform this assumption. In the absence of this data, we have therefore made some high-level modelling assumptions to reflect a range of possible scenarios for additionality. It has been assumed in this analysis that the additionality for Class E buildings (excluding offices) is 25%-75% (central 50%). The additionality assumption we have adopted is based on official's views that these commercial building types often face difficulty in getting permission on a planning application to convert to residential in the counterfactual, and therefore a significant proportion of the units delivered would be additional. Local planning policies often support the

<sup>18</sup> The categories in the EPC data do not exactly correspond to the Class E categories, therefore we calculated a mean floor area based on the closest possible categories to Class E.

<sup>19</sup> We use the office to residential PDR unit splits as a proxy for Class E buildings (excluding offices), which is the best estimate we hold. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/902220/Research\\_report\\_quality\\_PDR\\_homes.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902220/Research_report_quality_PDR_homes.pdf)

<sup>20</sup> 5.5 units per scheme is estimated by 243.7/45

<sup>21</sup> Due to uncertainty over how takeup of the right may differ between different types of Class E buildings (excluding offices), it has not been possible to provide a robust estimate of the breakdown of gross units delivered by use type

<sup>22</sup> It is assumed that there is a 1-year lag between the prior approval and the units delivered, therefore no gain in Class E units (excluding offices) is expected in 2021

retention of shops, banks, and restaurants/cafes etc on high streets and in town centres, setting out the proportion of such uses that they consider should be provided. This means that a planning application for the change of use to residential may be refused permission where it does not comply with local policy. According to the MHCLG appraisal guide<sup>23</sup>, 50% additionality is a reasonable assumption for supply focussed interventions where the units are unlikely to come forward in the counterfactual because developers are unlikely to get permission (or seek permission) to convert to residential as a result of local authority's strong preferences for preserving the high street. We expect deadweight<sup>24</sup> to be low, however there is more uncertainty around the level of displacement which is why we have adopted a wide range. This assumption accounts for units that would have been delivered either through planning applications or from developments that would have come forward using the existing PDR rights<sup>25</sup>. The wide range adopted for additionality has allowed us to model sensitivity analysis to reflect the uncertainty of these assumptions. The range of additionality assumed is then applied to the gross units delivered in Table 7 to provide an estimate of the net units delivered from Class E (excluding offices). The net units delivered from Class E buildings (excluding offices) is set out in Table 8.

Table 8: Net units delivered from Class E (excluding offices) PDR (rounded)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Low	0	1,910	1,950	1,590	1,370	1,160	930	860	880	900	11,540
Central	0	3,820	3,890	3,180	2,750	2,320	1,850	1,720	1,760	1,790	23,080
High	0	5,730	5,840	4,770	4,120	3,480	2,780	2,590	2,640	2,690	34,630

#### b) Estimating the change in units from offices

For offices, the impact of the 3-month vacancy requirement has been taken into account in estimating the projects that would continue with the new measure in Table 6. The next step of the analysis is to estimate the impact of the new 1,500sqm floor space requirement, in which buildings will be constrained by how many units they can deliver now where they weren't previously.

In order to estimate the impact of the 1,500sqm floorspace requirement it is necessary to estimate the units delivered in the counterfactual where there is no floorspace requirement and to then compare this to the estimated units delivered in the policy option where there is a floorspace requirement. For the purpose of the analysis, we assume that in the counterfactual, an office-to-residential PDR is updated and extended, but is still subject to space standards and natural light requirements. It is assumed in the counterfactual that there is no floorspace requirement and no vacancy requirement.

Subtracting the units delivered in the counterfactual from the units delivered in the policy option will provide an estimate of the change in the number of units delivered as a result of the new requirements.

#### *Units delivered from offices in the policy option*

To estimate the number of units that would come forward in the policy option, the schemes that are estimated to still come forward in the policy option is multiplied by the estimated mean

<sup>23</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/576427/161129\\_Appraisal\\_Guidance.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/576427/161129_Appraisal_Guidance.pdf)

<sup>24</sup> Deadweight refers to the possibility that some of the benefits associated with conversions to residential would have happened anyway

<sup>25</sup> This is only for A1 and A2 buildings under 150sqm

number of units for an office scheme. To calculate the mean number of units for an office scheme in the policy option, we use Energy Performance Certificate data. We use the 75th percentile floor area for offices under 1,500sqm which is 392sqm. We divide this by 45sqm per unit which is the estimated mean floor area per flat in the policy option accounting for space standards. This is calculated by estimating the weighted average of space standards for different unit sizes by the split of unit sizes from the UCL PDR research for office-to-residential conversions. This results in a mean number of units per scheme for offices of 8.8. Multiplying the number of projects that would continue with the new measures and implemented (as calculated in Table 6) by 8.8 results in an estimate of the number of office units that would forward in the policy option (including those that used the PDR previously and were fully occupied that now use planning applications instead). This results in an estimated 7,354-7,410 (central 7,382) units coming forward in the policy option in each year from 2022 to 2030. Units are estimated from 2022 due to the assumed one year time lag between prior approvals for the new PDR for offices and the completed units.

It is estimated that over the appraisal period 58.9k-64.3k (central 61.6k) gross units from offices will be delivered by the new Class E PDR (6,842 gross units each year from 2022 to 2030 in the central scenario). This is estimated by multiplying the number of PDRs that would continue with the new measures and implemented (as calculated in Table 6) by the estimated 8.8 units per scheme, again assuming a one year time lag between prior approvals and completed units.

#### *Units delivered from offices in the counterfactual*

In order to estimate the number of units delivered in the counterfactual an estimate was required on the number of units per scheme in the counterfactual. This is expected to be higher than the 8.8 units per scheme in the policy option because there was no floorspace requirement in the counterfactual. We use historical data on the units delivered from PDRs from 2016/17 to 2019/20<sup>26</sup>, and then divide this by the total PDRs<sup>27</sup> (either prior approval not required or granted) with a one-year lag between prior approval and the units completed<sup>28</sup>. This leads to an estimated mean unit per scheme of 10.1 in the counterfactual. We then account for a reduction in units delivered as a result of space standards by scaling down the mean unit per scheme assumption by 6.5%. This assumption was calculated using analysis conducted to estimate the impact of space standards on the number of units delivered from PDRs. This leads to an estimated mean units per scheme of 9.4 in the counterfactual.

The next step to estimating the number of units delivered in the counterfactual is to multiply the total prior approvals implemented (845 per year) by the units per scheme for each year of the appraisal period. This results in an estimated 7,971 units being delivered each year from 2022 to 2030 in the counterfactual. Units are estimated from 2022 due to the assumed one year time lag between prior approvals for the updated and extended PDR for offices and the completed units. Due to the uncertainty over the future delivery of the office-to-residential PDR in the counterfactual, we assume that the units delivered remains constant over the appraisal period (as was assumed in the policy option).

#### *Change in units delivered from offices (difference between units delivered in the policy option and counterfactual)*

It is then possible to estimate the change in the number of units between the policy option and the counterfactual by taking the difference between the units delivered between the counterfactual and the policy option. This leads to an estimated loss of units of 617 to 561

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<sup>26</sup> <https://www.gov.uk/government/statistical-data-sets/live-tables-on-net-supply-of-housing> Table 120: components of housing supply; net additional dwellings, England 2006-07 to 2019-20

<sup>27</sup> <https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics> Table PDR 2: district planning authorities – applications for prior approvals for permitted developments, England

<sup>28</sup> We also make an adjustment of 64% to account for prior approvals that are implemented

(central 589) each year from 2022 to 2030. Over the appraisal period, this is estimated to be 5,550 to 5,051 (central 5,301) office units lost. We assume that there is no change in the number of units delivered in 2021 as these are assumed to result from prior approvals in 2020 before the new right is introduced (in the policy option) and before the right is updated and extended (in the counterfactual).

#### Net changes in units for all buildings in scope

Pulling together the units gained from Class E buildings and the units lost from offices, the net change in units (in the policy option relative to the counterfactual) from the changes are summarised in Table 9.

*Table 9: Net units gained and lost as a result of the Class E to residential PDR (rounded)*

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Class E (excluding office) units gained - low	0	1,910	1,950	1,590	1,370	1,160	930	860	880	900	11,540
Class E (excluding office) units gained - central	0	3,820	3,890	3,180	2,750	2,320	1,850	1,720	1,760	1,790	23,080
Class E (excluding office) units gained - high	0	5,730	5,840	4,770	4,120	3,480	2,780	2,590	2,640	2,690	34,630
Office units lost - low	0	620	620	620	620	620	620	620	620	620	5,550
Office units lost - central	0	590	590	590	590	590	590	590	590	590	5,300
Office units lost - high	0	560	560	560	560	560	560	560	560	560	5,050
<b>Change in Net units - low</b>	<b>0</b>	<b>1,290</b>	<b>1,330</b>	<b>970</b>	<b>760</b>	<b>540</b>	<b>310</b>	<b>250</b>	<b>260</b>	<b>280</b>	<b>5,990</b>
<b>Change in Net units - central</b>	<b>0</b>	<b>3,230</b>	<b>3,310</b>	<b>2,590</b>	<b>2,160</b>	<b>1,730</b>	<b>1,260</b>	<b>1,140</b>	<b>1,170</b>	<b>1,200</b>	<b>17,780</b>
<b>Change in Net units - high</b>	<b>0</b>	<b>5,170</b>	<b>5,280</b>	<b>4,210</b>	<b>3,560</b>	<b>2,910</b>	<b>2,210</b>	<b>2,020</b>	<b>2,070</b>	<b>2,120</b>	<b>29,570</b>

The permitted development right as framed will help to deliver quality homes that meet space standards and provide adequate natural light, and where the local planning authority has given consideration to the impact on future residents from development in areas important for industrial or warehouse uses. In doing so it is recognised that some poorer schemes will not in future come forward. The right also provides protections for business in the form of a vacancy requirement, and prior approval in conservation areas of the impact of the loss of the ground floor from Commercial Business and Service use. The right therefore contains important balancing considerations when in respect of the contribution to housing delivery.

### ***Monetised Benefits***

#### Planning Fee Savings for Class E buildings (excluding offices)

The current prior approval fee for change of use is set at £96. For the Commercial, Business and Service to residential right, it is now planned to introduce a fee per dwellinghouse, of £100 per dwellinghouse. This fee will be introduced by separate affirmative secondary legislation and will be in force by 1 August 2021 when applications can begin to be submitted. The impact of the higher prior approval costs is covered in the section on monetised costs.

This fee will be lower than the planning application fee per dwellinghouse and therefore provide savings to developers compared with a planning application. Applicants will make fee and administration savings from not having to submit a full planning application. Where a full planning application is no longer required there will be a saving to the applicant from the reduced fee and preparatory / administrative work avoided even where prior approval is required. This is consistent with RPC13-FT-CLG-1809(2) and RPC14-FT-CLG-147(3). In no circumstances will a prior approval be more burdensome than the full application process it replaces. The extent of the savings will depend on the original cost of preparing and submitting the application, and the cost of any new prior approval requirements.

The planning fee savings will be realised by the Class E buildings (excluding offices) that previously were required to use planning applications to convert to residential. The planning fee savings for these buildings was estimated by multiplying the estimated gross prior approvals for Class E buildings (excluding offices) in Table 4 by the estimated units per scheme (5.5) and then multiplying this by the savings per dwelling which is £362 (£462-£100). We do not hold robust data on prior approvals from the existing Class M PDR in respect of A1/A2 buildings. We expect this to be minor relative to the number of Class E (excluding offices) prior approvals and therefore we didn't deem it proportionate to make an adjustment for this in the planning fee savings and time savings. The estimated planning fee savings from no longer requiring planning permission is summarised in Table 10:

Table 10: Discounted planning fee savings for Class E (excluding offices) (£m, 2021 prices)

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
4.32	4.26	3.36	2.80	2.28	1.76	1.59	1.56	1.54	1.51	24.99

#### Time savings for Class E buildings (excluding offices)

There are expected to be time savings associated with being able to obtain prior approvals rather than full planning applications.

The 2009 report, *Benchmarking the costs to applicants of submitting a planning application*<sup>29</sup>, finds that a change of use application takes “between a couple of days and a week of

<sup>29</sup> Department for Communities and Local Government (July 2009), *Benchmarking the costs to applicants of submitting a planning application*, <https://webarchive.nationalarchives.gov.uk/20100519232001/http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsapplication.pdf>

(applicant) time”. Therefore, for the purpose of this impact assessment we assume that a change of use application takes 3.5 days (midpoint between 2 and 5 days). Assuming an average working day of 7.4 hours, this results in an estimate of 25.9 hours for a change of use application. For prior approvals, we adopt the estimates used in DCLG-5044(1)<sup>30</sup> adopting a midpoint of 0.3 days required (based on a range of 0.1 to 0.5 days required).

The gross hourly wage for a worker completing planning applications is estimated to be £18.38 in 2020 prices using data from the Annual Survey of Hours and Earnings (ASHE)<sup>31</sup>. After adjusting for earnings growth using OBR forecasts<sup>32</sup> and uprating by 20.2% for non-labour costs, this is adjusted to £22.09 per hour in 2021 prices. To calculate the time savings for Class E (excluding office) buildings, the prior approvals granted in Table 4 are multiplied by the hours saved by obtaining prior approval compared to a full planning application (23.7 hours) and the gross hourly wage.

The time savings as a result of using prior approvals rather than planning applications for change of use are summarised in Table 11 below.

Table 11: Discounted time savings for Class E buildings (excluding offices) (£m, 2021 prices)

2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
1.14	1.15	0.93	0.79	0.66	0.53	0.49	0.50	0.51	0.52	7.23

#### Disbenefit from increased time for planning applications for offices that revert to planning applications

There will also be a disbenefit from the increased time associated with submitting a planning application compared to prior approval which is estimated for the offices that revert to using planning applications as a result of the vacancy requirement. This is also calculated by multiplying the offices that continue through planning instead by the increased time taken for planning applications and the gross hourly wage. This results in the estimates in Table 12.

Table 12: Discounted disbenefit associated with increased time taken for planning applications (£k, 2021 prices)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Low	-75.2	-74.0	-73.5	-72.5	-72.0	-72.0	-72.0	-71.9	-71.9	-71.9	-726.9
Central	-50.1	-49.3	-49.0	-48.4	-48.0	-48.0	-48.0	-48.0	-47.9	-47.9	-484.6
High	-25.1	-24.7	-24.5	-24.2	-24.0	-24.0	-24.0	-24.0	-24.0	-24.0	-242.3

#### Land Value Uplift

Land value uplift (LVU) is a Green Book compliant appraisal methodology to account for benefits of creation of new residential land to society.

Providing greater planning certainty and reducing the planning burden and costs on business (developers) is expected to result in additional development than would otherwise have come forward under a planning application for Class E buildings (excluding offices) and give rise to Land Value Uplift. The introduction of a vacancy requirement and a floor space requirement of

<sup>30</sup> [https://www.legislation.gov.uk/ukia/2021/10/pdfs/ukia\\_20210010\\_en.pdf](https://www.legislation.gov.uk/ukia/2021/10/pdfs/ukia_20210010_en.pdf)

<sup>31</sup> We use the category ‘Construction project managers and related professionals’ to estimate the gross hourly wage for a worker completing a planning application  
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/regionbyoccupation4digitsoc2010asheta/ble15>

<sup>32</sup> <https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/> OBR forecasts for average earnings growth are only up to 2025. Therefore from 2025, we assume that wages increase by the 2025 growth rate.

1,500sqm, however, is expected to lead to a reduction in the units delivered from office-to-residential PDRs compared to the counterfactual. Nonetheless, the net impact in terms of units delivered are still estimated to be positive in all three scenarios, leading to positive net Land Value Uplift overall. Land value uplift is calculated by:

Net private value of new housing = residential land value – existing land use value

Obtaining planning permission adds uncertainty and can lead to delays compared to obtaining prior approval. Secondary legislation will remove the requirement on developers to submit a full planning application for the change of use to residential. As with the permitted development right for the change of use from office to residential, the greater planning certainty afforded by the right and the simplified planning process will result in some additional development that might not otherwise have come forward under a planning application.

Increased planning certainty will help to contribute to additional housing supply being released, by releasing sites that would have otherwise not come forward through the planning system. Typically, the welfare gain for additional housing can be estimated by comparing the value of land in its previous use compared to the value of land if used for housing, as supported by HMT Green Book.

The net units gained (from Class E excluding offices) and lost (from offices) as set out in Table 9 is then multiplied by the appropriate Land Value Uplift figure per dwelling on brownfield sites (£71,225 in 2021 prices<sup>33</sup>). This is calculated using data supplied from the Valuation Office Agency (VOA)<sup>34</sup>. The conversion from commercial to residential is assumed to be brownfield as the existing site has a land value aligned to an existing use that is not greenfield. As a result, the land value gain that occurs is weaker and so we use the estimated brownfield LVU as the best estimate, which is lower than the alternative estimated greenfield LVU. Using the brownfield land value as the existing land use value is a proxy. The net Land Value Uplift from the gain in units from Class E (excluding offices) as well as the reduction in net LVU from the reduction in units from offices is presented in Table 13. For the purpose of this impact assessment, we treat the loss of LVU from a reduction in office-to-residential conversions as a disbenefit.

Table 13: Net Land Value Uplift (rounded) (£m), 2021 prices

	Low	Central	High
Net Land Value Uplift for Class E (excluding offices)	£822	£1,644	£2,466
Net Land Value Uplift for Offices	-£395	-£378	-£360
<b>Net Land Value Uplift (all buildings in scope)</b>	<b>£427</b>	<b>£1,267</b>	<b>£2,106</b>

For the purpose of this impact assessment, we have only monetised the Land Value Uplift that occurs in units that are converted using the PDR. We have not monetised any potential Land Value Uplift that could arise in buildings that do not make use of the PDR, as we expect most of this will be captured in buildings that use the PDR.

## Monetised Costs

<sup>33</sup> The Land Value Uplift per dwelling is estimated to be £64,974 in 2019 prices. We uplift this figure by 4.7% per annum to account for growth in Land Value Uplift.

<sup>34</sup> <https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019>

There are increased prior approval costs to offices and some retail (A1 and A2) premises where applications now require a prior approval fee of £100 per dwellinghouse, compared with the previous single flat rate fee of £96, or £206 where completing physical works in the case of Class M. This is particularly an impact for office to residential, as retail to residential (Class M) allowed for smaller developments of up to 150 sqm.

#### Increase in prior approval fees for offices

In the analysis only the increase prior approval fee for offices has been monetised. It was not deemed proportionate to estimate the impact of the higher prior approval fees for A1 and A2 buildings as the impacts of this are expected to be marginal due to significantly less units being delivered than office-to-residential conversions through PDRs<sup>35</sup>. The impact of the fees on offices was estimated by estimating the difference in the office-to-residential prior approval fees in the policy option and the counterfactual. In the policy option, this is calculated by multiplying the average size of an office development (8.8 units per scheme) by offices with higher prior approval fees and the new prior approval cost per dwellinghouse. In the counterfactual, the old planning fee costs are estimated by multiplying the office to residential prior approvals with higher fees by the original fee of £96 flat rate fee. This results in an estimated increase in prior approval costs of £7.8m to £8.6m (central £8.2m) over the appraisal period (2021 prices).

#### Offices units that now have to pay planning application fees (rather than prior approval fees)

There are also costs for offices that revert to planning as a result of the vacancy requirement. In the policy option there is a cost of £462 per dwelling whereas in the counterfactual the cost of prior approval was a flat fee of £96. Taking the difference in costs between the policy option and the counterfactual leads to an estimated cost of £3.3m over the appraisal period (range of £4.9 in low to £1.6 in high scenarios) in 2021 prices.

### **Summary of monetised costs and benefits**

The monetised costs and benefits of this measure over 10 years is summarised in Table 14 below.

Table 14: Summary of discounted costs and benefits over 10 years (£m, 2021 prices)

	Low	Central	High
<b>Benefits</b>			
<i>Land Value Uplift</i>			
Land Value Uplift for Class E buildings (excluding offices)	822.1	1,644.2	2,466.2
Land Value Uplift for offices (disbenefit)	-395.3	-377.5	-359.8
<i>Time Savings</i>			
Time Savings for Class E buildings (excluding offices)	7.2	7.2	7.2
Disbenefit from increased time for offices that go through planning application rather than PDR	-0.7	-0.5	-0.2
<i>Planning fee savings</i>			
Class E buildings (excluding offices) that no longer pay planning application fees	25.0	25.0	25.0

<sup>35</sup> This is as a result of significantly less prior approvals and significantly fewer units per scheme due to the 150sqm size limit.



<b>Total benefits</b>	<b>458.3</b>	<b>1,298.4</b>	<b>2,138.4</b>
<b>Costs</b>			
<i>Increase in planning fees</i>			
Increase in prior approval fees for offices	7.8	8.2	8.6
Offices units that now have to pay planning application fees	4.9	3.3	1.6
<b>Total costs</b>	<b>12.8</b>	<b>11.5</b>	<b>10.2</b>

Note: Figures in the table may not add up due to rounding.

### ***Non-Monetised Benefits***

There may be some ‘hope value’ captured by landowners and freeholders even where buildings are not re-developed because the value of their asset may rise accordingly, which may provide an incentive to sell or re-develop vacant sites given the measure will provide increased certainty of the returns from doing so. This benefit to the owners of buildings for commercial use that are not converted to residential through the PDR has not been monetised in this impact assessment. We expect most of the increase in the value of properties to be captured in buildings that convert to residential, and is therefore mostly captured by the monetised Land Value Uplift.

The measure will increase the certainty the market has to develop these sites for housing, where there is a clear rationale for increasing supply and therefore affordability. Currently, developers of these sites face imperfect information because they cannot be sure whether the site will secure planning permission and subsequently whether the site represents a viable opportunity to build new housing or otherwise. This certainty can only be gained by progressing the site through the planning system, which involves time and expense, therefore leading to some of these sites not coming forward, where developers are also balancing the risk that planning might not be secured. The measure will also reduce the transaction costs (e.g. process) of developing these sites thereby supporting their re-development. The measure will address these market failures, and support increasing housing supply.

There is scope for positive externalities to be realised from the development of additional housing. Where sites are on the tail end of distribution of vacancy, i.e. having been long term vacant they may be a source of blight to existing businesses and households located nearby to the site. The re-development of these type of sites may therefore bring an amenity benefit to existing households and businesses located nearby to the site being developed, with the benefit likely capitalised into property values.

Local businesses may benefit from an increase in the local population density, especially if the new residents shop locally and use local services.

### ***Non-Monetised Costs***

There will be a cost to building owners in terms of lost office rent where the office is vacant for 3 months before the PDR can be utilised. Previously there was no vacancy requirement, therefore this is an additional cost in terms of foregone rents. However, the value to society of losing an office building (either because it converted, demolished, or because it is not in use) is already reflected in the existing use values for offices included in the estimate of Land Value Uplift. Therefore any short-term costs from leaving the building vacant for 3 months is already captured in the estimated Land Value Uplift.

There is some scope for some small negative externalities typically considered through the planning system, such as increased congestion from new housing. We generally expect any effects of this type to be small because the measure provides limits on the extent that new housing that can be produced (through footprint restrictions) and therefore localised congestion from new households should similarly be small (and the individuals in those households have moved from elsewhere, resulting in any net decrease in congestion from where they have moved from).

There may be greater costs for the local authority arising from any additional pressure on local infrastructure and public services if there is a greater number of residents. A lack of section 106 developer contributions may leave funding gaps for the local authority to fill. The New Homes Bonus and Council Tax applied to all dwellings would help mitigate this.

Building owners may opt to change use without the need for a planning application, displacing existing users from operating in that building. This is reduced but not eliminated by the vacancy requirement. There is therefore potential for a negative impact on individual businesses which might be lost or displaced through change of use to more profitable uses. In line with RPC15-CLG-3032 (2) we consider these costs to be indirect<sup>36</sup>.

Furthermore, by allowing commercial premises to switch to more productive uses, the opportunity cost of not switching rises. A second order impact is that commercial rents may increase to reflect this opportunity cost. There are however a number of interactions, including that whilst the supply of commercial space may decrease, there may a fall in demand for such space if there is a shift in preferences in the way people consume goods and services. Any changes in rents would represent transfers from one party to another, putting aside distributional outcomes. Land should be used in its most productive use, and if housing generates a higher return than Class E then there will generally be a net gain to society from changing the use of the land into housing, subject to the other impacts described above. Attempting to estimate the value of the transfer would require significant further analysis which is beyond the scope of this impact assessment. It would be disproportionate to attempt to estimate the gain of value for a transfer between individual businesses for the purposes of this assessment.

Sites will also not be required to provide a contribution to affordable housing, which generally offers higher value to society than an equally equivalent home for open market sale only. Nevertheless permitted development rights for change of use to residential have led to an increase in the number of homes, to rent or to buy, delivered than would otherwise have been the case, helping reduce pressure on the housing market overall. The government, through its separate Affordable Homes programme, continues to support the delivery of affordable housing. Through Planning for the Future, it has consulted on applying the proposed Infrastructure Levy to permitted development, and further announcements will be made in due course.

It was not deemed proportionate to monetise the impact of the higher approval fees for A1 and A2 buildings as the impact is expected to be marginal due to significantly less units delivered than office-to-residential conversions through PDRs.

## **Covid-19 Impacts**

There is significant uncertainty in terms of the impacts of Covid-19 on this PDR. The two main groups of buildings that are affected are offices and Class E buildings (excluding offices).

It is unclear at this stage the impact Covid-19 will have on future office use. It is likely that demand for office space will fall as there is a shift towards hybrid working in the future. Even if

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<sup>36</sup> We consider these costs to be an indirect result of the proposal as they are the result of a choice by building owners to convert commercial space into residential units, following deregulation, rather than a direct regulatory burden on the affected businesses.

companies still use offices, they may downsize their office space to save on costs if more of their staff are working from home on a regular basis. Survey evidence from the Institute of Directors indicates that 74% of firms surveyed intended to maintain the increase in home working that started during the pandemic<sup>37</sup>. If demand for office space falls, it could facilitate increased take-up of the PDR.

There is significant uncertainty in terms of the impacts on the retail sector, and more buildings may become vacant if there are changes in the way people shop in the future. This reflects both the pandemic and trends in shopping away from the high street and a shift to online shopping. 33% of respondents to the UCL Covid Social Impacts Study<sup>38</sup> reported that they planned to make more use of online shopping in a post pandemic world. These impacts are also likely to be felt differently across the country. Work by KPMG<sup>39</sup> suggests that high streets could lose between 20-40% of their retail offerings, with places such as Basingstoke, Bracknell, Guildford and Exeter most affected.

Take-up of the PDR could also be lower than anticipated as a consequence of behavioural shifts induced by the pandemic. Evidence indicates demand for properties in less urban spaces, with gardens and more space has increased since Covid-19 restrictions were first introduced<sup>40</sup>. A portion of vacant Class E properties within scope of the measure may be located in more urban areas, and may provide less access to outdoor space. This may make units delivered through them less valuable compared to other types of development, reducing demand to redevelop properties.

### **Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)**

This impact assessment relies on data and evidence where possible, and most of the analysis conducted is informed by reputable sources of data. In some limited cases it was not possible to obtain data to inform assumptions, and therefore it was necessary to use high level indicative modelling assumptions which have been sense checked internally. Sensitivity analysis has been conducted to highlight the uncertainty in the analysis, especially where there is particular uncertainty such as the level of additionality of Class E buildings (excluding offices). In other cases, the data we have is very limited, for example on the expected take-up of the Class E PDR. Therefore we have made use of the limited data and evidence that we hold, in this case on the historic prior approvals of offices to residential conversions.

### **Risks and assumptions**

There is a significant degree of uncertainty in the analysis due to the limited evidence available to the department for certain modelling assumptions. This uncertainty is reflected in the range provided for the net units gained as a result of the measure, and therefore significant variation in the net Land Value Uplift over the appraisal period.

One of the key assumptions in the analysis is the level of additionality assumed for Class E buildings (excluding offices) that use the new PDR. It is expected that a proportion of those that use the PDR in the policy option would have converted to residential in the counterfactual. To ensure we are capturing the net additional units of the change, it was important to subtract these units from the gross figures. The department does not hold robust evidence on Class E to residential conversions using planning applications, therefore the department has again made some high-level modelling assumptions on additionality with ranges included to highlight the

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<sup>37</sup> <https://www.iod.com/news/news/articles/Home-working-here-to-stay-new-loD-figures-suggest>

<sup>38</sup> <https://www.ucl.ac.uk/news/2020/aug/only-one-10-plan-return-live-they-did-covid-19>

<sup>39</sup> <https://home.kpmg/uk/en/home/insights/2021/01/future-of-towns-and-cities-post-covid-19.html>

<sup>40</sup> See <https://www.zoopla.co.uk/discover/property-news/top-10-search-terms-most-used-by-homehunters-in-2020/> and PwC UK Economic Update – September 2020

uncertainty of this assumption. It is expected that a significant proportion of units are additional for these types of buildings as local planning authorities may have policies protecting shops, offices and other such uses in town centres etc and it may therefore be difficult for such buildings to obtain planning permission for conversion to residential. This assumption has been sense tested internally.

We do not hold data on the take-up of the new PDR for Class E buildings (excluding offices) as these include new buildings in scope with different floorspace requirements. We have estimated the propensity for Class E buildings (excluding offices) to use the PDR by using historical data on prior approvals and the stock of buildings for office to residential PDR conversions. We make an assumption here that the take-up of the Class E (excluding offices) is similar to offices for which we have historical data. This is the best estimate we have been able to make given the evidence that we have available to us. Actual uptake may therefore be higher or lower than our best estimates. Therefore it is not possible to anticipate exactly how many homes would be created under the right, and this is even more uncertain due to uncertainty over the longer term impacts of the COVID-19 pandemic.

One of the key assumptions in this analysis is the proportion of the previously occupied buildings that used the PDR that would still use the office-to-residential PDR despite the occupancy requirement. We do not hold evidence on this, therefore MHCLG made a modelling assumption based on expected behaviour. Sensitivity analysis has been carried out elsewhere in the analysis to account for the uncertainty.

## **Wider Impacts**

In the central scenario, the new Class E PDR is estimated to deliver 107.8k gross units (46.2k from Class E excluding offices and 61.6k from offices) over the appraisal period. There are estimated to be 17.8k net additional homes from the measures in the central scenario. By increasing housing delivery in this way, more people will be able to access housing than would otherwise be the case helping to reduce homelessness and overcrowding.

Government policy is that planning policies and decisions should promote an effective use of land and buildings in meeting the need for homes, making effective use of existing buildings and previously-developed or 'brownfield' land. This densification prevents sprawl onto greenbelt areas which provide amenity value. Developing homes in vacant buildings may also reduce negative externalities if the vacant units are a source of blight. The re-development of vacant commercial buildings may therefore bring an amenity benefit to existing households and businesses located nearby to the building being developed.

An indirect impact is that there is likely to be a reduction in commercial business activity in certain areas, with potential implications for local economies. For example, there may be indirect impacts on local employment and access to certain businesses. Communities could be negatively impacted if local amenities or key local shops are converted into residential units through these reforms. The prior approval in respect of registered nurseries and health centres can help mitigate against this risk. Small, isolated shops are included within the F2 Local Community use class, and therefore the right does not apply in such cases.

By removing the need for a planning application for some types of development, local authorities will lose the opportunity to consider such development in the context of their local plans. Local authorities and communities will be less able to effectively manage the high street or town centre. Local planning authorities may consult on making an Article 4 direction in line with national policy to remove the right.

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

We are not excluding small and micro businesses/developers from making use of the right as it is expected to be beneficial for them. The experience of the office to residential right is that it attracted new developers to the market. Small and micro business developers are likely to benefit from this PDR as it will present more opportunities for them for the conversion of Class E units to residential. It will encourage new developers into the market arising from a reduction in burden, as the right is deregulatory and provides a greater degree of planning certainty compared to a planning application. Therefore, the risk of aborted planning costs due to refusals of planning permission are decreased.

Evidence from Help to Buy data suggests that small builders deliver a higher proportion of new homes in London than in England. Analysis of data from Glenigan also suggests that small builders build out the majority of smaller sites and that 70% of apartments are built by smaller builders, compared to 25% of houses. This evidence is indicative of small builders potentially disproportionately benefitting from the permitted development rights given that use of PDRs tend to be in urban areas on 'small sites' and involve conversions to apartments. In addition, the planning certainty that arises from PDRs will be proportionately more beneficial to small builders since volume developers are already likely to have the economies of scale and capital to better deal with an uncertain planning process.

Small and micro businesses (SMBs) occupying Class E buildings are in scope of this measure and in particular are likely to be affected. We do not have data on the proportion of businesses occupying Class E buildings that are SMBs, however the BEIS Business Population<sup>41</sup> estimates suggest that a very high proportion of businesses similar to Class E businesses (such as retail units) have fewer than 50 full-time equivalent employees, qualifying them as SMBs. As Class E covers a very wide range of different businesses our best estimate is to use the Business Population estimate data for the UK private sector more generally which suggests that 95.7% of businesses are 'micro' and '3.5%' of businesses are small. In respect of general SMBs, an indirect impact is that they may be disproportionately affected by the loss of commercial space. We expect that smaller businesses are more likely to be tenants of smaller commercial buildings (and those therefore falling within scope of this of measure) seeing as larger businesses will have more employees and therefore demand more commercial space. Building owners may opt to change use without the need for a planning application, which could in some instances displace existing users from operating in that building. This is reduced but not eliminated by the vacancy requirement. There is therefore potential for a negative impact on individual SMBs which might be lost or displaced through change of use to more profitable uses. These impacts are considered indirect as they are a result of a choice by building owners to convert into residential units following deregulation rather than a direct regulatory burden on the affect businesses. A further second order impact of the reduction in commercial space from conversions into residential is that it could also have a negative impact on jobs.

An indirect impact is that the loss of supply of commercial space may subsequently lead to an increase in rents, as more tenants compete for space becoming scarcer. There are however a number of interactions, including that whilst the supply of commercial space may decrease, there may a fall in demand for such space if there is a shift in preferences in the way people consume goods and services. Neither the supply nor demand of commercial space is fixed. In the longer term, if commercial space became scarce to the point that the returns from building commercial units was higher than housing in particular areas, then the market would be more likely to build commercial units than housing. This would be a signal of markets operating efficiently and using land for its most productive use.

A further indirect impact is that the right may lead to a reduction in retail business activity for SMBs in certain areas if retail units are converted to residential. There may also be impacts of retails units converting to residential for other SMB retail units. There are likely to be some agglomeration effects of having retail units situated in close proximity to each other. If this effect

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<sup>41</sup> <https://www.gov.uk/government/statistics/business-population-estimates-2020>

is strong, then there may be knock on effects on for SMBs in the same area even if their premise is not converted into residential. This could potentially lead to a reduction in business activity for these SMBs. However, some Class E units may benefit from the conversion of neighbouring Class E units to residential. For example, the people that live in the new units may spend money in the local economy, thereby providing a boost to local demand.

### **Impacts on Local Authorities**

Local planning authorities will benefit from no longer needing to determine a full planning application for such changes of use. The reduction in work may be offset by the introduction of a new fee per dwellinghouse of £100. This is a new fee to be introduced via separate legislation, and is a benefit to local planning authorities compared with the standard flat rate fee for prior approval for the change of use of £96. This additional revenue will help support local planning authority resources.

The prior approval fee per dwellinghouse will be lower than that for a full planning application. This will reflect the fact that there are less matters for the local planning authority to consider through the prior approval process in comparison to a full planning application, requiring less work for local authorities in assessing such proposals.

There may be greater costs for the local authority arising from any additional pressure on local infrastructure and public services, such as health centres and schools. If there is a greater number of residents. The reuse of existing buildings will benefit from the current infrastructure already in place, such as roads. A lack of section 106 developer contributions may leave funding gaps for the local authority to fill. The New Homes Bonus and Council Tax applied to all dwellings would help mitigate this.

### **Costs and benefits to communities**

The community will benefit from the delivery of quality new homes, that meet nationally described space standards, whether to buy or to rent, some of which would not otherwise have come forward under a planning application.

The addition of large number of residents into an area may place additional, unplanned, pressures on existing local services such as schools and health services.

High streets and town centres will benefit from the ability of premises being able to change to residential use, supporting diversification and vitality, and helping to avoid the empty buildings that can add to blight. Rural and suburban areas will similarly benefit from the additional homes delivered.

Communities may lose particular individual uses, which opt to change to a higher value use, impacting on local services and high streets. However, the impact of the loss of children's nurseries or health centres may be considered through prior approval. In addition, in conservation areas a separate prior approval allows for consideration of the impact of the change of use of ground floor Commercial, Business and Service use on the character or sustainability of the area.. Small, isolated shops are in the F2 Local Community use class and therefore are not in scope of this right.

There is likely to be a reduction in commercial business activity in certain areas, with potential impacts on local employment. This is more likely to be an issue for communities in which there is a high reliance on these premises for local employment.

## **B. AMENDMENTS TO EXISTING RIGHTS TO SUPPORT SCHOOLS, COLLEGES, UNIVERSITIES, HOSPITALS & PRISONS**

### **Policy background/problem under consideration & rationale for intervention**

Existing permitted development rights provide for a wide range of development including the provision of public infrastructure, without the need to apply to the local planning authority for planning permission. Current permitted development rights set out in Schedule 2, Part 7, Class M of the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended) allows for the erection, extension, or alteration of a school, college, university or hospital building, subject to certain limitations.

The Part 7, Class M right currently allows development with a gross floorspace not exceeding 25% of the gross floorspace of the existing buildings or 100 square metres, whichever is the lesser. In the case of schools this was increased to 25% or 250 square metres whichever is the lesser in 2017 (SI 2017/391). Development for a college, university or hospital building cannot be carried out within 5 metres of the boundary of the curtilage, and this was amended for schools to only apply where the adjacent land is in residential use (C use class). There is also a height limit of 5 metres for any new structure erected under the right.

Government wants to make it easier for public infrastructure to be delivered and proposed to create a new permitted development right to enable the Ministry of Justice to construct additional accommodation blocks on their existing prisons sites. This is because they are being asked to deliver provision for a substantial increase in prisoner numbers in a short timeframe.

At the same time the Department for Health and Social Care and the Department for Education have asked for the size limits in the Part 7, Class M right for the erection, extension or alteration of a school, college, university or hospital building. This is to enable them to quickly bring forward development for school and hospital extensions, in response to Covid-19 and also to meet the need for additional permanent accommodation. This helps to deliver the public service infrastructure component of government's 'Project Speed'.

### **Policy objective**

It was therefore proposed to amend the existing Class M right to allow the erection, extension or alteration of a school, college, university or hospital building. We will remove the floor size limit as it currently exists and now allow development up to 25% of cumulative footprint of existing buildings on site or 250 sqm, whichever is greater. We will also amend the height limit on new buildings from 5 metres to 6 metres to provide further flexibility and allow for the potential development of 2 storey buildings whilst maintaining controls on height, and apply the right to prisons for the first time.

Government consulted on these proposals as part of the recent consultation:

<https://www.gov.uk/government/consultations/supporting-housing-delivery-and-public-service-infrastructure>

The aim of these proposals was to allow additional development without the need to apply to the local planning authority for planning permission, to assist government's priority of supporting the delivery of important public service infrastructure through the extension of existing schools, hospitals and prisons.

### **Description of options considered**

- (i) Amend the GPDO to now also allow the construction and use of buildings on ports for purposes connected with the operation of the port.

Government proposes to amend the existing Part 7 Class M right to extend a school, college, university and hospitals building, and to also apply the right to prisons, amend the height limit from 5 metres to 6 metres for new buildings and remove the floor size limit as it exists, allowing for development up to 25% of footprint of buildings on the site or 250 sqm, whichever is greater.

(ii) Do nothing

Doing nothing would not deliver on government's intention to make it easier for public infrastructure to be delivered.

### Summary of preferred option

Government has brought forward legislation to amend the existing Class M right to extend a school, college, university and hospitals building, through amending the height limit on new buildings from 5 metres to 6 metres, removing the floor size limit as it currently exists and allowing development up to 25% of footprint of buildings on the site or 250 sqm, whichever is greater. The right will also apply to prisons. As university buildings are often spread across multiple sites across towns and cities there is a requirement to apply to the local planning authority for determination as to whether the authority's prior approval is needed in respect of design, highways and transport and heritage and archaeology in relation to the proposed development of university buildings.

The aim is to allow additional development to assist government's priority of supporting the delivery of important public service infrastructure.

### Monetised Benefits

The amendment to the class M right to allow greater flexibility for schools, hospitals, and prisons to extend further is deregulatory. It removes the need for a planning application and therefore reduces costs for these institutions. This will come in the form of a planning application fee saving and a time saving as they no longer have the administrative burden of submitting the paperwork.

To quantify the benefit, we need to establish how many plans will directly benefit from this change. Specifically, this includes extensions where the floorspace created is larger than the existing PDR limit, but within the new one. Planning applications data, supplied by Glenigan, was analysed to establish what proportion of institutions had planned extensions, and what proportion of these extensions would directly benefit from the amendment to the PDR. We looked at planning applications which are due to start in the next year. This analysis assumes that for the buildings in scope of this measure planning applications vary in line with GDP. Planning application volumes have historically been correlated with GDP and this assumption is consistent with previous impact assessments<sup>42</sup>. We therefore use GDP forecasts<sup>43</sup> to alter how many applications are made beyond the first year.

The approach is summarised below. Each stage will be discussed in more detail:

- 1) We find the number of Institutions in scope from the relevant government departments (MoJ, DSHE, DfE).
- 2) We estimate the typical floorspace of these institutions (School, University, College, Hospital and Prison).
- 3) We take 25% of 'typical floorspace' as the upper limit for the PDR. We assume in the analysis that 25% of the existing buildings is larger than 250sqm (the alternative limit). This is broadly true as the institutions in scope tend to have a very large footprint.

<sup>42</sup> Reform of the Use Classes Order – 2021 [https://www.legislation.gov.uk/ukia/2021/10/pdfs/ukia\\_20210010\\_en.pdf](https://www.legislation.gov.uk/ukia/2021/10/pdfs/ukia_20210010_en.pdf)

<sup>43</sup> OBR Economic and Fiscal Outlook – March 2021



- 4) We analyse planning applications data from Glenigan for developments which will commence in the next year and find the number of schools, hospitals, prisons etc. who have planned extensions. We express this as a proportion for each institution type. e.g. 2% of Schools have extensions planned next year.
- 5) Where we have known floorspace information in Glenigan, we find the proportion of these extensions which are larger than the existing PDR limit, but within the new 25% of existing buildings limit. We have also used a 2-storey cap to account for the 6m height restriction in the PDR. We express this as a proportion of institution extensions – i.e. 62% of school extensions will directly benefit from this PDR.
- 6) We estimate the number of plans that will benefit = (number of institutions in scope) x (proportion of institutions extending) x (proportion of these extensions which will benefit from PDR).
- 7) We estimate the fee saving per planning application using average extension size (by institution) from Glenigan.
- 8) We estimate the time saving per planning application.
- 9) Benefit = (time saving + fee saving) x number of plans.

#### Estimating the 'typical' floorspace of each institution

**Schools** – We took the average number of pupils in a school in England (282 for primary, 965 for secondary<sup>44</sup>) and estimated what floorspace would be recommended for a school of this size using a report published by the Department for Education<sup>45</sup>. To find the typical floorspace we took a weighted average between primary and secondary (approx. 17000 primary schools, and 3500 secondary).

**Universities** – We took the median number of students in a University in the England (14,000) and calculated the floorspace required for a student population of this size. This was done using the net internal <sup>46</sup> benchmark per student (7.8sqm) and then scaled up to reflect the gross internal area<sup>47</sup>. The scaling factor was 1.41. The internal area benchmark and the net to gross scaling factor were found in a report published by UCL<sup>48</sup>.

**Colleges** – Colleges we not analysed separately as we did not have specific planning applications data for them. Throughout the analysis they are assumed to have the same proportion of extensions as schools, and the same proportion of extensions benefitting as schools.

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<sup>44</sup> Schools, pupils and their characteristics – Jan 2019 – Department for Education - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/812539/Schools\\_Pupils\\_and\\_their\\_Characteristics\\_2019\\_Main\\_Text.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/812539/Schools_Pupils_and_their_Characteristics_2019_Main_Text.pdf)

<sup>45</sup> Area guidelines for mainstream schools – Department for Education [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/905692/BB103\\_Area\\_Guidelines\\_for\\_Mainstream\\_Schools.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/905692/BB103_Area_Guidelines_for_Mainstream_Schools.pdf)

<sup>46</sup> Net Internal Area measures the usable space inside a building. It will exclude cupboards, stairwells, areas with reduced headroom, & many more.

<sup>47</sup> Gross Internal Area measures the total area inside a building between the walls.

<sup>48</sup> UCL – Space Utilisation Study

[https://www.ucl.ac.uk/estates/projects/documents/UCL\\_Space\\_Utilisation\\_Study\\_Final\\_Report\\_August\\_2010.pdf](https://www.ucl.ac.uk/estates/projects/documents/UCL_Space_Utilisation_Study_Final_Report_August_2010.pdf)

**Hospitals** – We calculated the average number of beds per hospital by taking an estimate of the number of hospital beds in the UK (150,000<sup>49</sup>) and dividing that by the number of hospitals (which was supplied by DHSC). This gives us 114 beds per hospital. A floorspace estimate of 230sqm<sup>50</sup> per bed was used to work out the size of a ‘typical’ hospital. This should account for additional space required such as corridors and non-patient rooms.

**Prisons** – The Ministry of Justice (MoJ) supplied us with the size of the new category C Five Wells prison due to open soon (60,000sqm). We use this as the size of a typical prison.

Table 15: Total floorspace estimate and PDR floorspace limit by institution type

Institution	Total floorspace Estimate (sqm)	25% floorspace (PDR limit) (sqm)
<b>Schools</b>	3,000	750
<b>Universities</b>	154,000	38,500
<b>Colleges</b>	N/A	N/A
<b>Hospitals</b>	26,000	6,500
<b>Prisons</b>	60,000	15,000

#### Analysis of Glenigan planning applications data

The outputs from the analysis of planning applications data for one year is shown in Table 16 below. This enables us to estimate how many planning applications by institution type will benefit from this PDR per year.

Table 16: Glenigan data outputs by institution type are used to calculate the number of plans directly benefitting from this PDR amendment.

Institution	Number of institutions in scope	Proportion extending per year	Proportion of extensions directly benefitting	Number of plans benefitting in year 1
<b>Private</b>				
Schools	2300	1.6%	47%	17
Universities	96	21.9%	56%	12
Colleges	55	1.6%	47%	0
Hospitals	700	8.1%	75%	43
<b>Public</b>				
Schools	22000	1.6%	47%	160
Hospitals	616	8.1%	75%	38
Prisons	112	8.0%	100%	9

#### Time Saving

The median gross hourly wage of a construction professional from the ONS 2020 Annual Survey of Hours and Earnings (£18.38) was used in the analysis. This was uprated by 20% to account for non-labour costs. This wage rate is assumed to increase in line with the OBR’s

<sup>49</sup> Midpoint taken between two sources: 1) <https://www.statista.com/statistics/473264/number-of-hospital-beds-in-the-united-kingdom-uk/> 2) <https://www.kingsfund.org.uk/publications/nhs-hospital-bed-numbers#:~:text=The%20total%20number%20of%20NHS,patients%20treated%20has%20increased%20significantly.>

<sup>50</sup> <https://www.fixr.com/costs/build-hospital>

forecast for average wage growth up to 2025<sup>51</sup>. After 2025, we assume it increases by the 2025 growth rate.

It is assumed that a prior approval takes 0.5 days of labour time, and a full planning application takes 5 days. The upper bound from the 2009 report '*Benchmarking the costs to applicants of submitting a planning application*<sup>52</sup> was taken to reflect that institutional extensions are often larger and more complex than residential ones, and therefore will require more paperwork. A day of work is assumed to be 7.4 hours, which is consistent with the 10-year average of actual hours of work for full-time workers.<sup>53</sup>

The time saving achieved from no longer submitting a full planning application is estimated at £817. Where a prior approval will be required instead of a full planning application (applicable for universities), the saving is £736.

The estimated number of plans benefiting from the time savings for each year is multiplied by the time saving per plan to obtain the time savings in Table 17.

Table 17: Discounted profile of time savings by institution type (£k), 2021 prices

Institution	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
<b>Private</b>											
Schools	13.6	14.5	14.6	14.7	15.0	15.2	15.5	15.7	16.0	16.3	151.2
Universities	8.7	9.3	9.3	9.4	9.5	9.7	9.9	10.0	10.2	10.4	96.3
Colleges	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	3.6
Hospitals	35.1	37.3	37.5	37.8	38.5	39.1	39.8	40.4	41.1	41.8	388.4
<b>Public</b>											
Schools	130.6	139.0	139.6	140.8	143.2	145.7	148.1	150.7	153.2	155.8	1446.7
Hospitals	30.8	32.8	33.0	33.3	33.8	34.4	35.0	35.6	36.2	36.8	341.8
Prisons	7.4	7.8	7.9	7.9	8.1	8.2	8.3	8.5	8.6	8.8	81.5

### Fee Saving

The average extension size (with a 2-storey height limit) was calculated using Glenigan planning applications data. From this we calculate the average fee saving using the appropriate fee from the guidance<sup>54</sup>. Specifically, we have used the fee for the 'erection of buildings (not dwelling houses, agricultural, glasshouses, plant nor machinery)'. For a building between 75sqm and 3750sqm, the fee is £462 per 75sqm. We assume that planning fees remain constant over the appraisal period. This assumption was sense checked internally

The prior approval fee is £96. Universities will no longer have to submit a full planning application but will be required to submit a prior approval, so this is deducted from the full planning application fee saving.

Table 18: Planning fee saving by institution type based on average extension size

Institution	Average Extension Size (sqm)	Fee Saving per Application (£)
<b>Schools</b>	760	4,680

<sup>51</sup> OBR – Economic and Fiscal Outlook – March 2021

<sup>52</sup> Department for Communities and Local Government (July 2009), Benchmarking the costs to applicants of submitting a planning application, [https://webarchive.nationalarchives.gov.uk/20100519232001/http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarking\\_costsapplication.pdf](https://webarchive.nationalarchives.gov.uk/20100519232001/http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarking_costsapplication.pdf)

<sup>53</sup> ONS (November 2020), Average actual weekly hours of work for full-time workers (seasonally adjusted). Figure adjusted for wage growth.

<sup>54</sup> [https://ecab.planningportal.co.uk/uploads/english\\_application\\_fees.pdf](https://ecab.planningportal.co.uk/uploads/english_application_fees.pdf)

<b>Universities</b>	635	3,820 (including £96 deduction)
<b>Colleges</b>	760 (same as schools)	4,680
<b>Hospitals</b>	750	4,630
<b>Prisons</b>	1480	9,130

The estimated number of plans benefiting from the planning savings for each year is multiplied by the fee saving per plan to obtain the profile of planning fee savings by institution in Table 19.

Table 19: Discounted profile of planning fee savings by institution type (£k, 2021 prices)

Institution	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
<b>Private</b>											
Schools	78.2	81.1	79.7	78.2	76.9	75.5	74.2	72.9	71.7	70.4	758.7
Universities	45.1	46.8	46.0	45.1	44.4	43.6	42.8	42.1	41.4	40.6	437.9
Colleges	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.7	18.1
Hospitals	198.5	205.7	202.2	198.5	195.1	191.7	188.4	185.1	181.9	178.7	1,925.8
<b>Public</b>											
Schools	748.0	775.4	762.2	747.9	735.2	722.4	709.9	697.5	685.4	673.5	7,257.5
Hospitals	174.7	181.1	178.0	174.7	171.7	168.7	165.8	162.9	160.0	157.3	1,694.7
Prisons	82.2	85.2	83.7	82.2	80.8	79.4	78.0	76.6	75.3	74.0	797.3

## Benefits

Adding together the benefits from time savings and planning fee savings in Table 17 and 19 allows us to estimate the benefits to business and non-business. This is set out in Table 20 below.

Table 20: Discounted summary of benefits (£k, 2021 prices)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Benefits to business	381	397	392	386	381	377	373	368	364	360	3,780
Benefits to non-business	1,174	1,221	1,204	1,187	1,173	1,159	1,145	1,132	1,119	1,106	11,619

The present value benefits to business are estimated to be £3.8m over the appraisal period. There is estimated to be a direct benefit to business of £0.4m per year from this measure (both in 2021 prices).

The present value benefits to non-business (the public sector) is estimated to be £11.6m over the appraisal period. Using BIT methodology, this is expected to be approx. £1.4m per year (both in 2021 prices).

## Monetised Costs

There are no monetised costs as this a deregulatory measure and will not create a cost to business. Local authorities will lose the planning fees although this will be fully offset by the benefit of the reduction in administrative costs as a result of having fewer planning applications to consider.

## Non-Monetised Benefits

This measure will reduce the cost of extending for the institutions in scope and increase certainty. These things combined could encourage more of these institutions to extend. This could have positive knock-on effects in the education, prison and healthcare sectors as facilities and capacity improve. However, it is not possible to quantify the extent to which this will happen. The time and fee saving benefits from this PDR amendment per application are small in comparison to the total cost of extending, and therefore it is unlikely that the saving will act as a strong incentive for development.

### ***Non-Monetised Costs***

There will be a cost to a very small number of universities who will now have to submit a prior approval. Previously if they were extending up to 100sqm using the existing PDR, a prior approval would not have been required. However, university extensions tend to be large and are usually over this limit. Analysis of planning application data suggests that 1 extension planned next year would fall into this category. This cost is deemed to be so small that it has not been monetised.

There may be externalities imposed on the local community. These include increased noise and loss of amenity. Local residents will not have the opportunity to comment on these new developments.

### **Covid-19 Impacts**

The Covid-19 pandemic has put a lot of strain on schools, hospitals and prisons. Hospital capacity has never been more important, so allowing hospitals to expand further will prevent health services becoming overwhelmed in the future. Schools now require more space due to social distancing measures, so this PDR will allow them to expand to meet their requirements.

The analysis for this IA is based on planning applications commencing in the next year. We don't believe the uncertainty associated with Covid-19 has prevented schools, hospitals, from submitting planning applications. We checked the volume of planning applications against previous years and the number seemed consistent with what we would expect in a 'normal' year.

### **Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)**

It was not possible to look at planning applications on a case-by-case basis to determine if they would benefit from the amendment to the existing PDR. This was due to lack of data and the volume of applications in question. We therefore had to make some broad assumptions about the existing floorspace of the institutions in scope and use that to filter the data. Not all schools (etc.) are the same size but on balance we believe that using this approach is robust. While some extensions who benefit will not be picked up, and others which we class as beneficiaries may actually be 'too large', if these two numbers are broadly equal then the results will be reasonably accurate. Since this measure results in a small cost to business, the approach is believed to be proportionate.

### **Risks and assumptions**

We did not have floorspace data available to us on the average size of the institutions in scope. We therefore had to make several estimates based on the information available to us. There is a risk that our estimates are in fact not representative of the 'typical' size of these institutions.

We obtained all our planning applications information from Glenigan. There is a small risk that some applications are not recorded in this database and therefore will not have been picked up in our analysis. However, we have spoken to advisors at Glenigan who believe that this risk is

very small and are confident that their database records the majority of the planning applications in scope.

While Glenigan records the number of extensions accurately, the floorspace and height data are often not completed. This meant when we were predicting the proportion of extensions who will benefit, we had to base our calculations on a sample where this information had been recorded. If this sample is not representative of the population, our estimates may not be completely accurate. The same issue exists when calculating the average extension size. Overall, we believe these two risks to be small.

### **Wider Impacts**

This PDR amendment will allow the institutions in scope to fast track development. This will result in public benefits as the education, health and justice sectors are able to expand to meet national requirements. Better facilities and capacity across these sectors could lead to better education attainment and improved health and wellbeing.

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

This measure will benefit small and large business alike. The schools, hospitals and prisons that can take advantage of this measure are unlikely to be small businesses, however the construction firms that perform the work might be. Small business may find the administrative burden and fee associated with submitting a planning application more significant, and therefore this amendment could be particularly advantageous for them.

### **Impacts on Local Authorities**

Local planning authorities will benefit from having to determine fewer planning applications. This will save time and resources which can be used elsewhere but will also result in a reduction in fees. For this analysis, we assume that the reduction in planning fee revenue fully offsets the benefit of having to review fewer planning applications. In reality, the cost of development management activities by local planning authorities is to a large extent covered by planning fees, but the current fee structure means the cost of processing some applications can be greater than their individual fee. Therefore, it is likely that the benefit of reviewing fewer planning applications and prior approvals in fact exceeds the cost from the reduction in planning fee revenue. However, without a national benchmarking exercise, it is not possible to formulate a robust assumption on the extent to which this is the case. Therefore, it is assumed here that this cost and this benefit are equal. This means this analysis will underestimate the benefit of this policy to local planning authorities.

### **Costs and benefits to communities**

Communities will benefit from the additional school and hospital places etc from the extension to existing buildings. Society will benefit from the additional prison capacity.

Neighbouring premises may be impacted by additional traffic and greater densification of the site. During building works, local communities might experience increased noise pollution and disruption.

## **C. AMENDED PERMITTED DEVELOPMENT RIGHT TO SUPPORT PORTS, INCLUDING FREEPORTS**

### **Policy background/problem under consideration & rationale for intervention**

Existing permitted development rights, set out in Part 8 Class B of the Town and Country Planning (General Permitted Development) (England) Order 2015, as amended (the GPDO), allows for development within dock, pier, harbour, water transport, canal or inland navigation undertakings for the purposes of shipping, or in connection with the movement of passengers, goods or traffic. It allows for the development of an educational building, a car park, shop, restaurant, garage, petrol filling station or other building provided under transport legislation wholly within the limit of the dock, pier or harbour. It has conditions stating that development of a hotel or bridge is not allowed, or any building not required in connection with the handling of traffic. For development proposals not covered by the rights an application for planning permission will need to be made.

The government proposed to amend the GPDO to now also allow the construction and use of buildings on ports for purposes connected with the provision of services and facilities within the curtilage of the port. This will align permitted development rights for port operators with airport operators who already benefit from such rights. This means that a greater amount of development within port areas will be able to be undertaken without the need to apply to the local planning authority for planning permission.

### **Policy objective**

As part of government's 2020 consultation on Freeports (the HM Treasury '*Freeports Consultation*') it was proposed that the existing permitted development right for dock, pier, harbour, water transport, canal or inland navigation undertakings ('ports' is used here for shorthand) be amended to bring the rights for ports (under Part 8 Class B of the GPDO) in line with the rights for airports (under Part 8 Class M of the GPDO). Government's response to that consultation confirmed that the existing permitted development rights for ports would be aligned with the permitted development rights for airports.

### **Description of options considered**

- a) Amend the GPDO to now also allow the construction and use of buildings on ports for purposes connected with the operation of the port.

Following consultation, government is to amend the existing permitted development rights for ports to:

- Allow for development in connection with the provision of services and facilities at the port, including the erection or alteration of an operational building.
- Widen the scope of who can undertake development to include a ports "agent of development".
- Introduce a requirement to consult the local planning authority with an exemption for development below 4m and under 200 cubic metres capacity, or where it is urgently required for the running of the port.

- b) Do nothing

Doing nothing would not deliver on government's intention to provide ports with the same permitted development rights as airports.

### **Summary of preferred option**

Government has brought forward legislation to introduce a new national permitted development right to provide a more streamlined planning process with greater planning certainty for port operators. The amendment to the existing permitted development right will enable all ports

covered by the regulations to carry out a broader range of activities in line with airports, without the need for a planning application.

The aim is to increase the types of development allowed under the port permitted development right to bring it in line with the rights enjoyed by airports and to support Freeport development in future.

## **Monetised Benefits**

The measure to extend port permitted development rights, to bring it in line with the rights enjoyed by airports and support Freeport development in future, is expected to have an NPSV of £6.4 million, with a net direct impact (benefit) on business of £0.7 million per annum (both in 2021 prices). This is based on potential planning application fee savings from ports applying for planning permission in the counterfactual, as well as the time savings from not having to apply for planning permission.

The permitted development right aims to provide a more streamlined planning process, with greater planning certainty for port operators. This will allow ports to: i) Allow for development in connection with the provision of services and facilities at the port; ii) Widen the scope of who can undertake development to include a ports “agent of development”; iii) Introduce a requirement to consult the local planning authority with an exemption for development below 4m and under 200 cubic metres capacity, or where it is urgently required for the running of the port.

The net direct impacts on businesses and communities can be split into two sections:

- Saved fees incurred applying for planning permission
- Time savings

### Saved fees incurred applying for planning permission

In the counterfactual ports must apply for planning permission, incurring a cost relative to the gross floor space created by the development, as shown below in figure 1. Under the legislation there will be no planning fee incurred, so this saving can be estimated as:

$$\text{Average planning fee} * \text{No. of port planning applications per annum}$$

### *Port planning application data*

To estimate the average planning fee and average number of port planning applications per annum we have used the Glenigan’s planning application database, which records any development that requires a planning application.

The data has been manually sifted via the major and minor English port sites, before selecting activity relating to port activity. From this initial output, results where; i) project status was either cancelled, unavailable, on hold/shelved, or pending; ii) planning permission was either application for reserved matters or planning was not required; or iii) the activity was purely demolition, were removed from the selection.

This provided an output for all port related planning application projects from 2014-2023. We then selected the range from 2018-2021 to focus on as this provided us with a more complete and relevant set of results to look at when estimating the planning fees and frequency of port planning applications per year, with 2021 seeing a lot of activity following the decline in activity in 2020 due to COVID pressures.

### *Estimating average planning fee*



The planning fee paid is related to the gross floor space created by the development (see fig 1 below). To estimate the average planning fee we calculated a weighted average based on the floor space created by the developments we had floor space data for, resulting in an average planning fee of £31,479.89.

### *Estimating the No. of port planning applications per annum*

To estimate the number of port planning applications per annum we took an average of the number of applications from 2018-2021, coming up with a figure of 12 per year. As this is based on activity both without this measure and freeports, we used this figure as the low scenario estimate. We don't hold data on the increase in applications as a result of the measure and freeports, therefore we made assumptions based on internal discussions. . Based on these discussions we have applied a 50% increase in activity to get a figure of 18 for the central scenario estimate, and a 100% increase in activity to get a figure of 24 for the high scenario estimate. These figures were then adjusted for planning applications to grow in line with GDP growth.

We assume that the measure does not directly increase the number of developments, as the ports would apply for planning permission in the counterfactual anyway – rather the increase reflects the likelihood that more activity will occur due to the newly acquired freeport status.

There are 63 English ports, 27 major and 36 minor, so this range of 12-24, with a central estimate of 18 developments per annum, represents a significant amount of activity.

### *Monetised benefit from planning fee savings*

The estimated planning fee savings are estimated in Table 21 below.

Table 21: Discounted benefits from planning fee savings, 2021 prices (£k)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Low	393.0	407.4	400.4	393.0	386.3	379.7	373.3	366.9	360.7	354.6	3,815.2
Central	589.5	611.1	600.6	589.4	579.4	569.6	559.9	550.4	541.0	531.8	5,722.8
High	786.0	814.7	800.9	785.9	772.6	759.4	746.5	733.8	721.4	709.1	7,630.4

In the central scenario, over a 10 year appraisal period this represents a total present value benefit of £5.7 million, or £0.7 million per annum (both in 2021 prices).

### Saved time applying for planning permission

In the counterfactual ports must apply for planning permission, incurring a cost in preparing an application for the development. Under the legislation there will be no planning application required, so this time saving can be estimated as:

$$\text{Average time spent} * \text{Average wage} * \text{No. of port planning applications per annum}$$

### *Average time spent preparing planning application*

We do not hold data on the average time spent preparing a planning application for this type of development. It is expected that these types of development are likely to be larger scale than change of use (e.g. from commercial to residential), and therefore require significantly more time to prepare a planning application on average. Based on previous policy experience, we have therefore assumed that the average time spent preparing a planning application for these

types of development is in the region of 10-30 days, with a central estimate of 20 days. This assumption has been agreed and sense checked using planning expertise within the department.

### *Average wage*

We used the 2020 median wage for construction project managers and related professionals from Annual Survey of Hours and Earnings from the ONS, and applied a 20% non-labour cost wage uprate. The was then adjusted for the March 2021 OBR earnings growth forecast over the 10 year appraisal period.

### *Estimating the No. of port planning applications per annum*

For the number of port planning applications per year we used the range of 12-24, with a central estimate of 18, planning applications per annum detailed above.

### *Monetised benefit from time savings*

The estimated time savings are estimated in Table 22 below.

Table 22: Discounted benefits from time savings, 2021 prices (£k)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Low	20.8	22.1	22.2	22.4	22.6	22.9	23.1	23.3	23.6	23.8	226.7
Central	62.3	66.3	66.6	67.2	67.9	68.6	69.3	70.0	70.7	71.4	680.1
High	124.5	132.6	133.2	134.3	135.7	137.1	138.5	140.0	141.4	142.9	1,360.2

In the central scenario, over a 10 year appraisal period this represents a total present value benefit of £0.7 million, or £0.1 million per annum (both in 2021 prices).

### ***Monetised Costs***

There are no monetised costs.

### ***Non-Monetised Benefits***

Support freeports and increase port productivity

The measure will result in a more streamlined planning procedure, and provide ports with greater certainty about developments. This should enable ports to undergo works with a marginal time saving from not having to go through planning applications. This benefit has not been quantified due to a lack of data and the likely marginal benefit it provides.

The measure may result in a small amount of additional development. The amount of additional development is expected to be limited as in most cases we expect that ports would have undertaken development through the traditional planning route had the additional freedoms not been introduced here. We therefore recognise there may be some marginal LVU from this, however due to the marginal nature of this, we have not monetised these benefits.

### ***Non-Monetised Costs***

There are no non-monetised costs

### **COVID-19 Impacts**

The COVID-19 pandemic is unlikely to have a significant impact on this PDR. The impacts of the pandemic may have impacted port construction activity in 2020, with the number of applications slowing, however our analysis of Glenigan’s data shows that the volume of planning applications has now recovered to normal levels in 2021. Coupled with the recovering construction sector, this suggests that we would not expect COVID-19 to have a significant impact on this PDR moving forwards.

### **Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)**

We have monetised the main impacts of the measure, and whilst there is uncertainty around take-up, we have used relevant observational data. We conducted a review of relevant datasets that may be supportive for the measure and from this we decided to use Glenigan’s data, due to the high coverage and detail of planning applications it provides. No wider costs are considered as we expect no impact due to no more development occurring as a direct result of the measure.

### **Risks and assumptions**

There is uncertainty around take up, but by looking at the sensitivity analysis below we can show that if we change the key assumptions it does not really change the conclusion that overall the measure has a small impact.

Table 23: NPSV and Net direct benefit to business per year (£m) from amended PDR for ports (2021 prices)

	Low	Central	High
NPSV (£m)	4.0	6.4	9.0
Net direct benefit to business per year (£m)	0.5	0.7	1.1

Assumptions that have been made in the analysis are outlined in detail above, but the main assumptions that impact the result are:

- The main monetised benefits of this change are from the fees and time savings applying for planning applications. We have not monetised the Land Value Uplift from any additional development compared to the counterfactual as we expect the amount of additional development to be low. This is because we do not expect that the changes to the right would trigger much of an increase in activity because it is likely that ports would have undertaken development through the traditional planning route had the additional freedoms not been introduced here. Prior to the commencement of development, the port developer must consult with the LPA, bringing the right in line with the airports permitted development right. We have recognised there may be a small amount of additional development as a non-monetised benefit.
- For wages we used the 2020 median wage for construction project managers and related professionals from Annual Survey of Hours and Earnings from the ONS
- For average time spent preparing planning application we used a range of 10-30 days, with a central estimate of 20 days.
- For applications per annum we used a range of 12-24, with a best estimate of 18, sourced from Glenigan’s database on port planning application activity.
- For the average planning fee we sourced floor space data from Glenigan’s database on port planning application activity.

### **Wider Impacts**

In addition to the monetised planning fee and time savings, there are also marginal time savings in developments from not having to go through planning applications. Local planning authorities see a reduction in planning fees, however this is offset by the time saved from no longer having to process the port planning applications.

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

We are not proposing to exempt SMBs because the proposal is deregulatory and small and micro ports will stand to benefit from the savings in fees and the increased planning certainty. According to the BEIS UK business population estimates for 2020<sup>55</sup>, 94.7% of Sea and coastal freight water transport (best proxy for ports), are small and micro businesses.

### **Impacts on Local Authorities**

This measure will lead to a time saving for local planning authorities, who would no longer need to process applications for port permitted development rights. It is assumed that planning application fees are set at a level which compensates for the time spent by licensing authorities processing them. Hence, the total time saving to local planning authorities is assumed to be £0.6 million per annum, based on the calculations in the saved planning fees section above. However the benefits of this will be offset by the reduction in planning fees, which as indicated in the saved fees incurred section, is estimated to be a reduction £0.6 million per annum, based on the calculations in the saved planning fees section above.

### **Costs and benefits to communities**

There may be added benefits of employment to the local community through the expansion of ports. There could be an impact on local residents in terms of additional noise and traffic as a result of expanded operations at ports.

## **D. AMENDMENTS TO AN EXISTING RIGHT TO PROVIDE PROTECTION FOR STATUES, MEMORIALS AND MONUMENTS.**

### **Policy objective**

In response to concerns that some historic statues, memorials and monuments may have been removed without proper debate, consultation with the public and due process, Ministers announced on 18 January 2021 that measures would be introduced to ensure that in future, they are appropriately protected and not removed without proper consideration through the planning system.

### **Description of options considered**

- (i) To make the demolition of all statues, memorials and monuments (regardless of their size) development and to remove existing permitted development rights so that their demolition would require an application for planning permission.  
Permitted development rights are set out in legislation. Legislative change is the only option to ensure that proposals to demolish statues, memorials and monuments can be considered through the planning application process.
- (ii) To make the demolition of statues, memorials and monuments (regardless of their size) development and to remove existing permitted development rights so that the demolition

<sup>55</sup> <https://www.gov.uk/government/statistics/business-population-estimates-2020>

of any statue, memorial or monument which has been in place for 10 years or more on the proposed demolition date would require an application for planning permission.

This is similar to option (i) but introduces a ten year cut off point whereby statues that have been in place for less than that time would not be subject to the requirement to submit an application for planning permission.

(iii) Do nothing

Doing nothing would not deliver on government's stated intention.

### **Summary of preferred option**

Government's preferred option was option (ii). This was considered to be a more proportionate approach as it will capture only statues, memorials and monuments which have been established for at least a ten year period.

To implement this, changes have been made to the Town and Country Planning (Demolition – Description of Buildings) Direction 2014 and permitted development rights to ensure the demolition of unlisted statues, memorials and monuments is subject to a requirement to obtain planning permission.

The Town and Country Planning (Demolition – Description of Buildings) Direction 2014 directs local authorities that the demolition of any building of less than 50 cubic metres should not be taken to involve the development of land. This Direction has been amended so that demolition of a statue, memorial or monument of less than 50 cubic metres is, in future, considered to be development.

We have removed the existing permitted development right which enables the demolition of unlisted statues, memorials and monuments (set out in Part 11 Class B of the GPDO) so that any such proposals are in future considered through a full planning application in consultation with the local community.

Historic England estimate there to be around 12,000 outdoor statues and monuments in England, with around 3,500 of these designated as listed buildings (which are not covered by these changes to permitted development rights). Therefore, we estimate that around 8,500 extra statues, memorials or monuments could be brought within the scope of the planning permission regime by these changes.

The Department does not collect figures to show how many statues, memorials or monuments are demolished each year. However, in the past, such cases have been rare, though there were concerns of an increase in such proposals to remove such heritage, and we therefore consider that the impact of these changes on owners, local planning authorities and communities will be minimal.

### ***Monetised Benefits***

There are no monetised benefits.

### ***Monetised Costs***

We believe that this measure will have minimal, if any, cost impacts on business as most outdoor statues, memorials and monuments are likely to be owned by local authorities or public institutions. These owners will incur costs from having to submit a planning application and a fee of £234 per 0.1 hectare or part thereof, (up to max fee £2028) will be payable. However, where applications are part of a wider site redevelopment requiring removal of a statue, there would not need to be a separate planning permission for the removal of a statue – as is the case now, this would be covered by any wider application.

There may be costs to local planning authorities from the consideration of planning applications for the demolition of a statue, memorial or monument but this will be offset by the planning application fee which will be payable.

However, as noted above, we consider that applications will be rare and it was not deemed proportionate therefore, to estimate the monetised costs from this change.

### ***Non-monetised benefits***

There are non-monetised benefits to communities from the fact that statues, memorials and monuments which form part of the streetscape in communities will no longer be at risk of removal without scrutiny. This constitutes a heritage benefit to communities (both current and future generations), and from communities being able to have a say on proposed removal of statues or monuments through the planning application process. This presents opportunities for engagement and civic participation.

### ***Non-monetised costs***

There is a minimal non-monetised cost from the reduction in planning certainty created by the removal of the permitted development right.

### **COVID-19 Impacts**

Covid-19 is unlikely to have an impact on this PDR.

### **Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)**

As set out above, the measure is predicted to have minimal impact on businesses and other stakeholders. It will still be possible for applicants to apply to demolish or alter statues, memorials and monuments, but this will require a full planning application. As there are no large monetised costs or benefits and given the small change implemented by the measure the level of analysis provided is proportionate.

### **Risks and assumptions**

As there are no large monetised costs and no monetised benefits and given the small change implemented by the measure the risks and assumptions in the analysis provided are proportionate.

### **Wider Impacts**

The wider impact of these proposals is that more historic statues, memorials and monuments might be retained in outdoor spaces accessible to the public. This would provide opportunities for further explanation of their context to help people fully understand the nuances of historical debate about the past.

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

SMBs will not be affected by this change.

### **Impacts on Local Authorities**

We anticipate the impacts arising from removing permitted development rights for the demolition of statues, memorials and monuments from permitted development rights to be minimal. This amendment would mean that proposals to demolish those statues, memorials and monuments

in scope would require planning permission. However, we do not expect a significant impact. This is because it mainly applies to statues (etc.) in the public realm, which will usually be owned by local authorities or other public bodies. While demolition of statues etc has been permitted development, those which are listed will have required listed building consent, and therefore data on statues removed without consent provides a useful comparator. We are aware of only three cases in which a (listed) statue has been removed without consent (the statue of Colston in Bristol, the Dunham Massey sundial, and the carved head forming part of the sign to the Green Man and Black's Head at Ashbourne, Derbyshire).

It means that such applications will in future be open to public debate. It will not apply to statues, monuments and memorials which are listed buildings or scheduled monuments; within the curtilage of a private dwelling; to those within churchyards, cemeteries or within the curtilage of places of worship; nor to those outdoor exhibits owned by museums and art

Local planning authorities will in future have to determine a planning application for the demolition or removal of statues, memorials and monuments. These costs will be offset by the planning application fee. In some cases, it may be the local authority seeking the permission. It is expected that there will be few applications, and therefore this element has not been monetised.

### **Costs and benefits to communities**

Communities will benefit from having a local say on the removal of statues, memorials or monuments. It will not apply to statues, monuments and memorials which are listed buildings or scheduled monuments; within the curtilage of a private dwelling; to those within churchyards, cemeteries or within the curtilage of places of worship; nor to those outdoor exhibits owned by museums and art galleries.

## **E. INTRODUCTION OF RELEVANT PRIOR APPROVAL FEES**

Applications for prior approval under the Commercial, Business and Service permitted development right will be required to be accompanied by a fee of £100 per dwellinghouse to be created, and for extensions for Universities a prior approval fee of £96. Both of these fees will be brought forward under separate affirmative secondary legislation in summer, so that the fee will be in place prior to any applications being submitted under the new Commercial, Business and Service to residential right. The impacts of these fees are considered within Parts A and B of this impact assessment.

This separate legislation will also introduce the fee for the right to extend detached dwellinghouses upwards to create additional living space for families to expand. This new right (Class AA of Part 1) was introduced in August 2020 (SI 2020/755), and currently does not attract a fee. This is the first legislative opportunity to introduce the required fee of £96, the same as for the larger extension of a dwellinghouse. This is largely a cost to homeowners, and the benefits of the right in terms of additional living space were explored in the impact assessment that accompanied the legislation (RPC-CLG-5006 (1)). There are limitations on the right in respect of height limits, how many storeys may be added, and when the dwellinghouse was built. It does not apply to flats nor in article 2 (3) land such as national parks and AONBs etc.

We do not have data on which to estimate take-up. Our assumption is that there will be very few for two main reasons. First structural, and whether the foundations can take the additional loading. The homes would be required to meet building regulations. Second, in the majority of cases the structural works might be financially prohibitive. It becomes viable in high land value areas such as London and the South East, where space for extensions may be limited. Any profit may be materialised from selling the house with additional bedrooms/ bathrooms. We

expect there to be marginal impact and the department does not hold data on the uptake of this PDR to date. In many cases a loft conversion would provide the more cost-effective route to additional living space. On this basis, costs and benefits associated have not been monetised.

The right allows for the extension to create additional C3 living space only. It does not apply to small houses of multiple occupation.

### **Covid-19 Impacts**

Covid-19 is unlikely to have an impact on this measure.

### **Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)**

It was not deemed proportionate to monetise the impacts of prior approval fees to extend upwards.

### **Risks and assumptions**

We have not monetised the impact of this change.

### **Wider Impacts**

There are no wider impacts from this change.

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

We do not expect SMBs to be affected by this change.

### **Impacts on Local Authorities**

Local planning authorities will obtain a small amount of additional revenue as a result of the new prior approval fees.

### **Costs and benefits to communities**

Individuals who wish to extend their own homes upwards to create additional living space will in future have to pay a fee. We do not expect wider communities to be affected by these changes.

## **F. TOTAL MONETISED IMPACTS OF THESE CHANGES**

The total monetised impacts of the changes for all measures are summarised in Table 24. There are no monetised costs to non-business from the measures.

Table 24: Discounted total monetised impacts of all changes £m (2021 prices)

		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Costs to business	Best	1.33	1.29	1.24	1.20	1.16	1.12	1.08	1.05	1.01	0.98	11.47
	Low	1.48	1.43	1.38	1.34	1.29	1.25	1.21	1.16	1.13	1.09	12.75
	High	1.18	1.14	1.11	1.07	1.03	1.00	0.96	0.93	0.90	0.87	10.19
Benefits to business	Best	1,273.08	6.43	5.30	4.59	3.93	3.26	3.03	3.01	2.98	2.95	1,308.55
	Low	432.99	6.15	5.03	4.32	3.67	3.00	2.78	2.78	2.73	2.70	466.13
	High	2,113.18	6.72	5.59	4.88	4.21	3.54	3.31	3.28	3.25	3.22	2,151.20



Benefits to non-business	Best	1.17	1.22	1.20	1.19	1.17	1.16	1.15	1.13	1.12	1.11	11.62
	Low	1.17	1.22	1.20	1.19	1.17	1.16	1.15	1.13	1.12	1.11	11.62
	High	1.17	1.22	1.20	1.19	1.17	1.16	1.15	1.13	1.12	1.11	11.62

### **Direct costs and benefits to business calculations (following BIT methodology)**

(2019 Prices, 2020 Base Year)

In the central case, there is estimated an annual equivalent benefit of £138.6m per year to business. This largely constitutes the net LVU from legislating the permitted development right due to the net gain in units arising compared to the counterfactual. This also constitutes the savings that arise through the reduced permitted development right prior approval fee.

Given the bespoke nature of planning proposals – we expect applicants to consult regulations in every case – applicants need to find the detailed guidance for each planning application. Consequently, applicants incur the costs of searching for regulations in the counterfactual. We do not therefore expect there to be familiarisation costs for searching for new regulations as these costs are also incurred in the counterfactual. This is consistent with the approach taken in the Impact Assessment Reducing planning regulations to support housing, high streets and growth (RPC14-FT-CLG-2147(2)). It is also consistent with the Impact Assessments concerning extending free standing blocks of flats upwards (RPC-CLG-4481 (1))

### **A brief qualitative summary of the potential trade implications of measure. This should include an assessment of whether the measure is likely to impact on trade or investment**

These measures are unlikely to negatively impact on trade or investment. By increasing housebuilding, any impacts would be expected to be positive. We expect that the majority of any new businesses and development stimulated by the right will be UK businesses. However, we do not hold data to support this assumption.

The permitted development right for ports allows for development in connection with the services and facilities of the port. It will remove the need for a planning application for development in more cases, and therefore help speed up development that will contribute to the operation and efficiency of the port. It supports wider freeport policy, however it does not increase the size of the port. We consider that it will not have any WTO / free-trade impact.

## **G. MONITORING & EVALUATION**

DLUHC continually monitors and collects application and housing delivery statistics on permitted development rights for the change of use to residential. Consideration is also given to any published reports, such as that commissioned by MHCLG on the quality of homes delivered.

The impact and effectiveness of these measures will be monitored by DLUHC and changes will be considered to ensure that the intended outcomes and benefits are achieved.