Regulatory Policy Committee

Extension of the permission in principle consent regime: extension of applications process

Ministry of Housing, Communities and Local Government

RPC rating: fit for purpose

Description of proposal

The objective of the policy is to encourage the development of smaller housing sites and to allow smaller developers to compete more effectively in the housing market. The Department plans to achieve this by extending the existing Permission in Principle (PiP) regime to cover smaller sites, which cannot be included on brownfield registers and are therefore not covered by the existing regime. Developers would be expected to apply for permission in principle for sites capable of supporting up to 9 dwellings, whether on greenfield or brownfield land. The extension will allow smaller developers to achieve certainty about the suitability of a given site for development at an early stage, and without having to invest considerable resources in the preparation of a full application.

Impacts of proposal

This policy largely affects developers who work on small housing developments and their sub-contractors (many of whom are small businesses); local authorities; and those affected by the relevant developments either as house purchasers or existing local residents. The main direct impacts of the policy are expected to be:

- A reduction in nugatory work by developers as a result of applying for planning permission for unsuitable sites, offset by costs of permission in principle fees, (estimated at £109 million net present value over ten years);
- costs of familiarisation with the new system (estimated at £0.2 million net present value over ten years); and
- benefits to local planning authorities as a result of the transfer of permission in principle fees to them.

The RPC notes that the costs of familiarisation are likely to be under-estimated, as the application of an approach based on reading speeds to a relatively small change tends towards under-estimation. The effect of this under-estimation on the overall estimates is unlikely to be material.

The Department also expects impacts (which it assesses as indirect) including:

- A possible increase (not monetised in this IA) in “hope values” (that is, the additional value of land as a result of receiving planning permission) of sites receiving permission in principle;
- An increase in the supply of housing as a result of more efficient use of sites for which finance for development could not be obtained without planning permission but could be obtained with permission in principle; and
- an increase in the market share of small and micro developers, who will have more efficient access to finance and can compete more effectively.

None of these impacts have been quantified; the Department argues that it would be disproportionate to do so, as it expects that the impacts will be relatively small and the data required to quantify them are not readily available.

Quality of submission

The Department’s assessment of the overall impacts of the proposal on business and civil society organisations is fit for purpose. The IA is clearly and concisely written, and sets out the rationale for the proposal convincingly. It also includes a proportionate level of evidence to support estimates of the direct impacts on businesses. In particular, it has identified the profile of take-up of the Permission in Principle approach as being the assumption to which the analysis is most sensitive, and has presented appropriate sensitivity analysis to address the fact that this assumption is not well-evidenced. The Department also notes in the context of the SaMBA that it has had difficulty in estimating the numbers of small and micro businesses affected, and presents helpful indicative ranges.

The small and micro business assessment is sufficient in that it presents appropriate ranges around the numbers of businesses affected, and presents clear evidence that the measure is both permissive and generally beneficial to small and micro businesses (SMBs). Thus SMBs are expected to benefit in many cases, but may choose not to seek permission in principle if the costs outweigh the benefits. It could be improved by a clearer exposition of any further mitigations the Department has considered, such as simplified guidance, variable fee scales, or simplified processes.

The Department also presents some information as to how it plans to monitor the policy, and commits to a review in 2022. This could be significantly improved by presenting a more complete summary of its monitoring and evaluation plan, though the RPC welcomes the clear description of some elements of data collection presented in the assessment.

Finally, the Department does not describe the indirect and non-business impacts of the policy very clearly or thoroughly; the assessment could be significantly improved by setting out all of the wider impacts of the policy with the same clarity as the business impacts. For example, the Department could helpfully provide a clearer description of the impacts of extending the PiP regime to cover some greenfield land and the social impacts of increasing the supply of smaller housing developments – in particular, how the regime is expected to interact with other planning controls such as conservation areas and its impacts on:

- possible opponents of planning applications such as small local civil society organisations, who may now have to address applications at more than one stage, or more repeatedly;
- planning authorities' decision processes, including both how the rounded consideration of principled and specific issues with a proposed development will be handled, and any changes to the processes for gathering information on proposals;
- innovation in house-building, where smaller developers may be more likely to contribute, and encouraging them may be helpful.

In this context, it would have been helpful if the Department had presented a wider range of options – possibly including an extension only to smaller brownfield sites.

It might also consider any impacts of the policy on developers' choices around types of development – for example whether the PiP regime might encourage investment in residential developments over business developments, or whether it is expected to affect the behaviour of housing associations, who are currently significant users of small interstitial sites of the sort affected by the regulations.

Departmental assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	-£12.7 million
Business net present value	£109 million
Overall net present value	£109 million

RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated[1]	-£12.7 million
Business Impact Target (BIT) Score[1]	-£63.5 million
Small and micro business assessment	Sufficient

Regulatory Policy Committee

[1] For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest 5% or £100 million, whichever is the smaller.