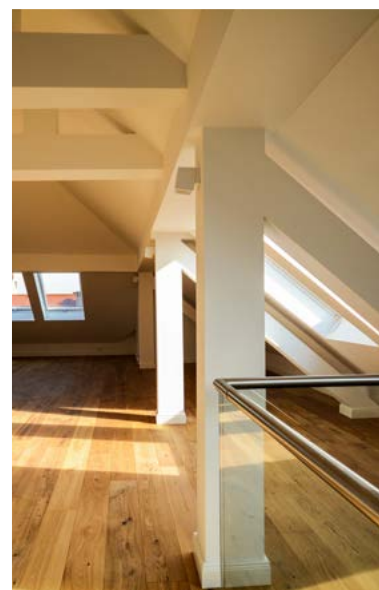




May 2018

# The exercise of permitted development rights in England since 2010



The exercise of permitted development rights in England since 2010



# Report for Royal Institution of Chartered Surveyors

## Report written by:

**Peter Bibby**  
**Paul Brindley**  
**Anthony McLean**  
**John Henneberry**  
**Daniel Tubridy**  
University of Sheffield

**Richard Dunning**  
University of Liverpool

## RICS Research team

**Dr. Clare Eriksson FRICS**  
Director of Global Research & Policy  
ceriksson@rics.org

**Katherine Pitman**  
Global Research Project Manager  
kpitman@rics.org

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RICS, Parliament Square, London SW1P 3AD

[www.rics.org](http://www.rics.org)

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# Executive summary



## Introduction

In recent years, there has been a significant expansion in permitted development (PD) rights. This means that many types of generally minor development can now proceed without the need to obtain formal planning permission. The main argument in favour of the extension of PD rights is that it removes unnecessary administrative impediments to development imposed by the planning system. Conversely, concerns have been raised about the specific impacts of different categories of PD such as their cumulative and systematic effects. The report presents an analysis of the exercise of PD rights in England since 2010 and an initial estimate of the direct financial costs and benefits of permitted development to the public sector.

The main objectives of the research were:

- to define the main extensions to PD rights that have been introduced since 2000
- to identify the direct financial costs and benefits to local authorities of development taking place through the exercise of PD rights, to the extent that they differ from those arising were the same development to have occurred with the benefit of formal planning permission
- to provide an analysis of PD activity in England between 2010 and 2017
- to estimate the scale of the financial costs and benefits accruing to local authorities through the exercise of extended PD rights.

## The extension of permitted development rights

New PD rights have reduced regulation of the location and scale of new development and of the ways in which existing buildings are used. This has occurred through major changes to the General Permitted Development Order (England) since 2005. Further reductions in local government control of development have been effected by the introduction of the Planning Permission in Principle (PPIP) system (in 2016), through Local and Neighbourhood Development Orders (LDOs & NDOs) (introduced in 2004 and 2011, respectively) and through changes to the process for confirming the legality of development. The categories of development that can now proceed without the need to obtain formal planning permission include:

- large extensions, residential annexes and other alterations to existing houses
- the conversion of some commercial buildings, including office blocks, to residential use
- the conversion of agricultural buildings to residential use
- changes between different industrial and commercial uses
- the extension of industrial and commercial buildings and the construction of new buildings on their sites
- the development of new residential units through the Planning Permission in Principle (PPIP) process and under LDOs & NDOs.



## Financial differences between permitted development and planning permission

The first step in an exploration of the implications of this de-regulation is to identify the direct financial differences between a development being pursued under permitted development rights and an identical development that has been granted full planning permission. Three direct financial impacts are considered:

- affordable housing contributions under Section 106 agreements
- planning application fees
- the Community Infrastructure Levy (CIL).

These impacts may appear limited and the effect of PD on infrastructure provision and on property taxes is minimal. This is because much infrastructure (for example, water, electricity and gas) is managed by privatised or third party

organisations. In such cases providers will enter into their own contracts with developers and any differences in how the development proceeds are irrelevant. In a similar way, the extension of PD rights makes no difference to the income derived from property taxes. The business rates and the council tax are charged, respectively, on the rental and capital values of the subject properties. The regulatory regime under which those properties were developed has no effect on any subsequent increase or decrease in income following a change from commercial to residential use or vice versa.

In principle, the major financial differences that arise from the extension of PD rights (summarised in Table 1) are a loss of planning application fees and of affordable housing contributions. The extension of PD rights should have no effect on CIL revenue because such rights do not exempt development from the levy. In practice, some LPAs are exempting PD from CIL. In these circumstances, any loss of CIL results not from PD but from the incorrect interpretation of the CIL regulations.

**Table 1** Categories of permitted development and their related costs

Category of PD Rights	Loss of planning application fees	Loss of CIL	Loss of affordable housing contributions	Loss of other S106 planning obligations	Loss of third party infrastructure funding
Householder PD Rights	Yes [reduction from £172 to £0]	No	No	No	No
Changes of use from agricultural to residential	Yes [reduction to £80-172 per prior approval. Previous cost dependent on scale]	Possible loss in case of vacant buildings & dependent on LA charging policy	Yes [if scheme is above relevant threshold of new units]	No	No
Changes of use from agricultural to residential	Yes [reduction from £385 per unit to £172 per prior approval]	Possible loss in case of vacant buildings & dependent on LA charging policy	No	No	No
Changes between different commercial & industrial uses	Yes [reduction from £385 to £0]	No	No	No	No
PD Rights for extension and new build on commercial & industrial sites	Yes [reduction to £0. Previous cost dependent on type and scale]	No	No	No	No
Residential new build under PPIP, LDOs & NDOs	No	No, but reduction of 15%-25% in CIL allocated to LA	No [can be required by NDO/LDO or negotiated in PPIP]	No	No

## The exercise of permitted development rights in England

In order to assess the impact of the extension of PD rights, the way that they have been exercised must first be established. This was done by analysing very detailed data derived from Royal Mail's Postcode Address File (PAF) and the Valuation Office Agency's (VOA) rating lists (for 2010 and 2017) and relating them, variously, to the following categories of development:

- the conversion of commercial buildings, including offices, to residential use
- the conversion of agricultural buildings to residential use
- changes between different industrial and commercial uses together with the extension of industrial and commercial buildings and the construction of new buildings on their sites.

We estimate that, in the period from 2010 to 2017, between 86,665 and 95,045 dwellings have resulted from development that falls within PD as defined in 2017 (depending on how student accommodation is treated; see Table 2)<sup>1</sup>.

It is evident that the bulk of these additional dwellings arises from small scale PD involving conversions from business uses, including offices, to residential use, and from agricultural use to residential use. These account for 47,044 and 31,696 dwelling units, respectively. In contrast, the large-scale conversions of business uses, especially offices, to residential use that are a key matter of concern to policy makers are less important – particularly when the student accommodation element is excluded from consideration. Finally, the scale of PD occurring entirely within the B1 use class is relatively modest.

Table 2

**Estimated flow of dwelling units [or floorspace] resulting from the exercise of PD rights, England, 2010-2017**

Region	Conversions from B1 to C3			Ag/C3	B1 PD
	Large developments incl. student	Large developments excl. student	Small developments		
	Dwelling units	Dwelling units	Dwelling units	Dwelling units	,000 sq m
	2010/17	2010/17	2010/17	2010/17	2010/17
East	2105	2105	4715	5077	1637
East Midlands	2607	0	3876	2741	1558
London	3836	3057	7390	15	1313
North East	0	0	2170	971	445
North West	1934	1288	6559	2468	1971
South East	1172	1172	7415	5205	2111
South West	1139	242	5348	8563	1387
West Midlands	1569	1142	4535	4558	2012
Yorkshire & Humber	1552	0	5037	2097	1704
<b>England</b>	<b>16305*</b>	<b>7925*</b>	<b>47044</b>	<b>31696</b>	<b>14138</b>

\* Divergence of national estimate of large scale B1 to C3 change from sum of regional totals results from sampling error in estimation of contribution of conversion relative to demolition and rebuild.

<sup>1</sup> In order to avoid the attribution of spurious precision to the detailed figures relating to the exercise of PD rights presented in Table 2, we stress that such data have significant margins of error and that they are simply our best estimates.

## Estimating the direct costs and benefits of permitted development

We conducted an ex post analysis of the direct costs and benefits of the extension of PD rights, compared with the outcomes of an identical development that had obtained formal planning permission. The cost benefit analysis (CBA) covered three broad impacts:

- the financial savings arising from a reduction in staff time spent dealing with planning applications
- the reduction in planning application fees received from developers
- the loss of affordable housing contributions (either through direct financial payments to LPAs or through in-kind obligations).

Because the financial flows span several years (between 2010 and 2017) the estimates of costs and benefits were converted to a consistent, single measure to allow comparison. Current values were adjusted for inflation using the Retail Price Index (RPI) to express them in constant 2010 prices. Then the UK Treasury's discount

rate of 3.5% was applied to each year's financial flow to express its value in 2010 (that is, its Net Present Value (NPV) in that year).

The results of the CBA (see Table 3) suggest that the largest financial impact of the extension of permitted development rights is the loss in affordable housing contributions. We estimate these to have had an NPV in 2010 of between £37m (lower estimate) and £48m (higher estimate) for the period from 2013 to 2017. This is the aggregate cost over the five years since the restrictions covering office to residential conversions were relaxed in 2013. The value of annual affordable housing losses varies widely from around £4m in 2013 to around £15m in 2016 (central estimates).

LPAs have also lost planning fees with a net present value (NPV) in 2010 of around £22m since 2013, with an average shortfall of £5m each year since 2014. The benefits arising from savings in staffing costs within planning departments amount to £14m (central estimate). This is not enough to offset the loss of fees. Overall, it is estimated that the direct financial impact of the extension of PD rights is a net loss of around £50m (in NPV 2010 terms).

**Table 3**

**The costs and benefits to LPAs arising from the extension of PD rights**

Category	Total scenario 1 (potential) 2010 to 2017	Total scenario 2 (actual) 2013/14 to 2017
<b>Planning fees</b>		
Small scale B1 to C3	-£13.50m	-£9.81m
Large scale B1 to C3	-£2.80m	-£1.92m
Agriculture to residential	-£9.67m	-£4.49m
Non-residential to non-residential	-£11.33m	-£5.84m
<b>Total</b>	<b>-£37.29m</b>	<b>-£22.06m</b>
<b>Affordable housing</b>		
Upper estimate	-£66.50m	-£48.29m
Central estimate	-£58.46m	-£42.45m
Lower estimate	-£50.43m	-£36.62m
<b>Officer time</b>		
Upper estimate	£41.02m	£18.84m
Central estimate	£30.76m	£14.13m
Lower estimate	£18.33m	£9.42m
<b>Final values</b>		
Upper estimate	-£62.77m	-£51.51m
Central estimate	-£65.00m	-£50.38m
Lower estimate	-£69.40m	-£49.26m

## Conclusions

In recent years there has been a significant extension of permitted development rights in England. It is now possible to pursue a wider range of developments without the need to obtain formal planning permission. These relate mostly to schemes of a modest size, such as extensions to business and residential properties and changes of use from the former to the latter that produce one or two dwellings. The main exception is larger scale conversions of business uses, including offices, to residential use.

Our analysis indicates that **the bulk of additional dwellings that result from the exercise of PD rights take the form of small scale conversions from business uses**, including offices, to residential use, and from agricultural use to residential use. In contrast, large-scale conversions of business uses, especially offices, to residential use (that are a key matter of concern to policy makers) are less common and do not make up the majority of conversions at a national scale. **Conversely, it is these same large schemes that account for the largest element of the direct financial costs of PD to public authorities.** This is the loss of affordable housing contributions from such developments.

It appears that **the extension of PD rights facilitates long term structural change in England's built environment.** Permitted development contributes to trends such as:

- the gradual decline of the stock of business property alongside the expansion of the dwelling stock
- the conversion and subdivision of agricultural buildings to create new dwellings and holiday accommodation.

## Recommendations for further research

Given these findings, it is recommended that more research be undertaken on small scale agricultural to residential conversions, and particularly on their wider social and environmental impacts. Research on the wider costs and benefits of office to residential conversions has been undertaken by Clifford et al (2018). However, to the extent that the emphasis of their study was on larger schemes, further work on the impacts of smaller B1 to C3 conversions would be of interest.



# 1.0 Introduction

## 1.1 Context

Cities are subject to continuous change and restructuring, giving rise to tensions between the rigidity of the urban built environment and the relative fluidity of the socio-economic processes that produce and are accommodated by it. The relations between the former and the latter affect urban development. Land and buildings must be adapted to meet new requirements. Such adjustment is achieved through various combinations of change of use, renovation, alteration, extension, demolition, new construction and so on.

In the system introduced by the Town & Country Planning Act 1947, development was (and is) defined as:

*'The carrying out of building, engineering, mining or other operations in, on, over or under land, or the making of any material change in the use of any buildings or other land.'* (Town and Country Planning Act 1990 (Section 55) (as amended)).

This is a comprehensive definition. In order to avoid administrative sclerosis, much small-scale development has been exempt from the need to obtain formal planning permission by that permission being granted via permitted development (PD) rights.

*'Such rights have long played a role in reducing the number of planning applications for minor development and reducing the regulatory burden of the planning system for many users. [...] the scope of permitted development could be critically examined on the basis that if regulation could be acceptably reduced, this would enable the planning system to proceed more quickly while freeing scarce resources to deal with more significant issues.'* (Lichfield & Partners, 2003, p.1).

In recent years, there has been a significant expansion in PD rights. This means that many types of generally minor development can now proceed without the need to obtain formal planning permission. For some categories of development, 'prior approval' is required before a developer can exercise a permitted development right. In such cases the local planning authority (LPA) is responsible for determining the application, but only a limited number of issues can be taken into consideration when such a decision is made. Where permitted development rights are perceived as problematic, an LPA can seek to restrict them through the use of an Article 4 Direction. However, the government retains the powers to modify and cancel proposed Article 4 Directions.

Recent extensions to PD rights have been made through major regulatory amendments in 2005, 2010, 2013 and 2015. PD rights are primarily granted by the Town and Country Planning (General Permitted Development) (England) Order 2015 (GDPO), but other devices such as Planning Permission in Principle (PPIP) and Neighbourhood Development Orders (NDOs) also grant PD rights. Taken together, the legislation granting PD rights forms a complex and evolving body of planning law. At present, key categories of development permitted without the need to obtain formal planning permission include:

- rights for householders to extend and make alterations to existing houses
- rights to convert commercial and agricultural buildings to residential use
- rights to extend and make alterations to commercial property
- rights to develop new residential units under the PPIP procedure and through NDOs.

The main argument in favour of the extension of PD rights is that it removes unnecessary administrative impediments to development imposed by the planning system (Lichfield & Partners, 2003). From the local planning authority's perspective, it is presumed that permitted development rights will reduce the number of applications for minor and uncontentious developments (Department for Communities and Local Government; DCLG, 2008a; Lichfield & Partners, 2003). In the face of an acute housing shortage in England, PD rights that support the development of new dwellings – such as those resulting from office to residential conversions – are lent additional legitimacy. Eric Pickles, former Secretary of State for DCLG argued that:

*'by unshackling developers from a legacy of bureaucratic planning we can help them turn thousands of vacant commercial properties into enough new housing to jump start housing supply.'* (cf. Derbyshire and Havers, 2015, p.312)

However, concerns have been raised about both the principles and the specific impacts of different categories of PD. In terms of the former, permitted development rights remove the opportunity for local planning authorities to weigh up the specific costs and benefits of a particular development and to intervene where the wider net costs are deemed excessive, either by refusing permission or imposing conditions. As highlighted by Prior and Raemakers (2006) in a review of the impact of permitted development rights on natural heritage in Scotland, individual cases of development may not be harmful, but there may be cumulative and systematic impacts that are not immediately apparent.

Making PD rights widely available may also undermine attempts to direct change in a strategic manner. Chair of the City of London Corporation Policy and Resources Committee Stuart Fraser has argued against the introduction of permitted development rights for office to residential conversions because they would diminish the ability of local government to direct economic development in the long term:

*'The quality and quantity of office space available in the Square Mile is carefully planned many years in advance, taking into account not only prevailing market conditions but also the long-term business needs of current and future occupiers... If developers were to turn offices into residential blocks when times were tough, the City's ability to attract new firms when the market picked up would be reduced'* (Fulcher, 2011).

There has been much speculation regarding the most controversial categories of PD rights such as those covering changes from office to residential and from agricultural to residential uses. During 2015-2016 13,879 new residential units were delivered which had been granted consent by permitted development rights. Of these 12,824 were created through conversions of office to residential accommodation (Marrs, 2016).

There are also concerns about the quality of housing delivered through such changes of use. RIBA President Jane Duncan has expressed concern:

*'that office-to-residential conversion is occurring without proper oversight by local authorities, and that as a result homes are being delivered at a standard which would otherwise be deemed totally unacceptable'* (Marrs, 2016).

The London Councils think-tank (2015) and the British Council for Offices (2015) have conducted research on this category of PD, finding, among other effects, evidence of losses in affordable housing contributions because these schemes are exempt from such planning obligations.

Another category of PD that has been the subject of debate is agricultural to residential conversions. Goodall (2017) observes that there has been widespread opposition from local planning authorities, which have used the requirement for prior approval to block developments. In many cases rejections followed an assessment that rural residential developments are not 'sustainable' due to the added road traffic. This opposition has led to major legal challenges and ultimately, according to Goodall, a relatively low number of agricultural to residential conversions going ahead under PD rights.

## 1.2 The costs and benefits of permitted development

These debates highlight the need to collect more evidence about the extent, usage and implications of new permitted development rights. This report presents an analysis of the exercise of PD rights in England since 2010 and an initial estimate of the direct financial costs and benefits of permitted development to the public sector (mainly local authorities).

In the case of controversial categories of permitted development, concerns have been raised about both direct financial costs for local authorities and the indirect long-term effects, such as LPAs' diminished capacity to plan strategically or the aesthetic and environmental impacts. The latter are not easily quantified in monetary terms. A complementary study by Clifford et al (2018) has undertaken an in-depth, qualitative study of office-to-residential conversions. This examines the wider costs and benefits of this type of PD.

It is important to note that not all costs and benefits arising from permitted development can be attributed to the existence of such rights. According to Goodall (2011);

*'it is disingenuous to pretend that it is new development and, in particular, the construction of new homes which gives rise to the need for new or upgraded infrastructure. The new schools, roads and other facilities would still be needed even if the development did not occur. Household formation is continuing apace, the population is continuing to increase, and so the need for new school places, new roads, new community facilities and other public amenities will be there even if we do not build any more homes for these people to live in.'*

Consequently, we compare the costs and benefits of schemes proceeding under permitted development with those arising were exactly the same schemes to have obtained formal planning permission. The alternative, comparing the costs and benefits of PD with either no development or alternative schemes delivering the same outcomes (in terms of the number of housing units, the amount of additional floor space created, and so on) is not feasible due to the difficulty of defining reasonable counterfactual positions.

In summary, there has been much speculation on the impact of new permitted development rights in England. Both direct financial costs for local authorities and other long term or non-quantifiable effects have been of concern. This report contributes to the debate by:

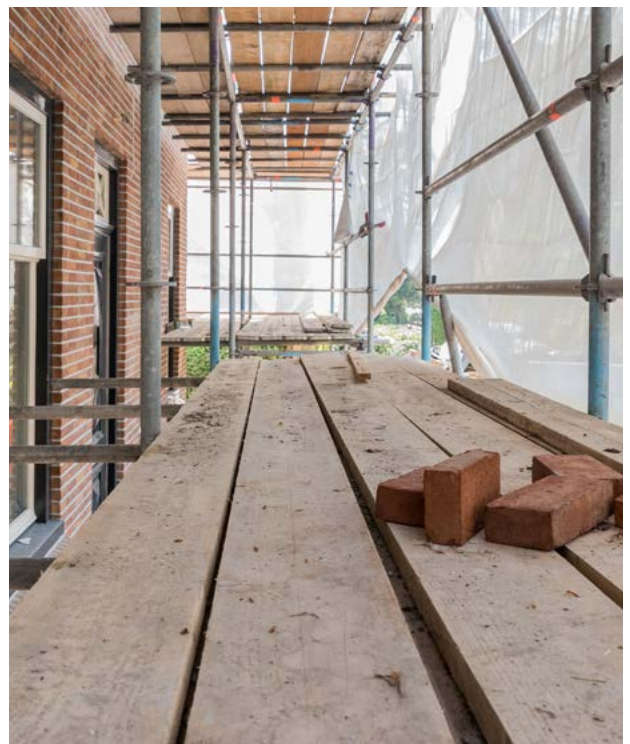
- providing evidence about the extent, form and distribution of the exercise of permitted development rights
- by assessing the direct financial costs and benefits for local authorities to which they give rise.

## 1.3 Aims and objectives

The overall aim of the research was to quantify the financial costs and benefits of permitted development for local authorities. This has been achieved through the application of a cost-benefit analysis to an estimate of the amount of PD occurring in England between 2010 and 2017. The research objectives were:

1. To define the main extensions to PD rights that have been introduced since 2000.
2. To identify the direct financial costs and benefits to local authorities of development taking place through the exercise of PD rights, to the extent that they differ from those that would arise if the same development had occurred with formal planning permission.
3. To provide an analysis of PD activity in England between 2010 and 2017.
4. To estimate the scale of the financial costs and benefits accruing to local authorities through the exercise of extended PD rights.

The next chapter addresses the first objective. It describes the recent changes in the regulation of development, situating permitted development in this broader context. It then outlines the main categories of development that now benefit from PD rights. Chapter 3 pursues the second objective by reviewing relevant literature, statutes, regulations, policy, practice and case law to identify the main differences in the direct costs and benefits that arise when a scheme proceeds with the benefit of PD, compared with an identical scheme that requires formal planning permission to go ahead. In Chapter 4 the third objective is addressed. An innovative research methodology is used that applies computational linguistics to geo-referenced data to derive estimates of the number of dwelling units delivered through the exercise of the recently extended PD rights. The amount of non-residential floorspace that has resulted from PD is also estimated using the same means. The cost benefit analysis described in Chapter 5 achieves the fourth objective. It combines the data from Chapter 4 with other, secondary, data to estimate the costs and benefits to local authorities arising from the extension of PD. Conclusions are drawn in Chapter 6.



## 2.0 The extension of permitted development rights

### 2.1 Deregulation of development

The use of PD is not a new issue in planning. In England exemptions from planning controls existed in the Town and Country Planning Act 1947 for some sectors such as agriculture. These exemptions have been adjusted frequently, with new statutes in every decade between 1940 and 2000.

Since 1995 PD rights have been extended several times, with major changes in 2005, 2008, 2010 and practically every year since then<sup>2</sup>. In early 2017 the Government began consulting on further extensions to agricultural PD rights (Smith, 2017). Under the GPDO 2015 there remain some restricted areas where PD does not necessarily apply, such as conservation areas, national parks, areas of outstanding natural beauty, world heritage sites and the Norfolk and Suffolk Broads. In addition to these nationally determined exceptions, it is possible for an LPA to remove PD rights for an area by issuing an Article 4 Direction. However, there is evidence that this process is regarded as burdensome by LPAs for several reasons, including the need to compensate developers in some circumstances and the fact that government retains the right to modify the Direction (London Councils, 2015).

### 2.2 Prior approval

While permitted developments can generally proceed without any input from the LPA, some developments require 'prior approval' before they can be undertaken. Prior approval is essentially a minimal and restricted planning procedure and, although permission is not automatic, it is perceived to be a 'light touch' planning process (Goodall, 2016). The option for the LPA to review the application and consider planning matters varies according to the type of development. As Goodall (2016, p.141) argues:

*'these classes of development are not really permitted development in the sense in which that term was originally used and understood, but are subject in effect to the grant of a new type of consent, which requires less formality in its submission and processing than a planning application made under Part III of the 1990 Act, and is intended (at least in theory) to be a lighter form of development management, but one which still allows local planning authorities to determine, within strictly defined parameters, whether the proposed change of use should be allowed to take place or not.'*

There is a range of developments that can proceed under PD, with or without the need for prior approval from the LPA, which are discussed below and summarised in Table 2.1.

### 2.3 Householder permitted development rights

Permitted development rights for householders are set out in the Town and Country Planning (General Permitted Development) (England) Order 2015 as amended by the Town and Country Planning (General Permitted Development) (England) Amendment Order 2016. The purpose is described by DCLG (2016b, p.4) as allowing:

*'householders to improve and extend their homes without the need to apply for planning permission where that would be out of proportion with the impact of works carried out'.*

Eight classes of householder development rights are covered in the Order.

- Class A** covers the enlargement, improvement or alteration of a house, such as rear or side extensions, as well as general alterations, such as new windows and doors.
- Class B** covers additions or alterations to roofs that enlarge the house, such as loft conversions involving dormer windows.
- Class C** covers other alterations to roofs, such as re-roofing or the installation of roof lights/windows.
- Class D** covers the erection of a porch outside an external door.
- Class E** covers the provision of buildings and other development within the curtilage of the house.
- Class F** covers the provision of hard surfaces within the curtilage of the house, such as driveways.
- Class G** covers the installation, alteration or replacement of a chimney, flue or soil and vent pipe.
- Class H** covers the installation, alteration or replacement of microwave antennae such as satellite dishes.

For the purposes of this research Classes A, B, and E are of most interest. These changes have the potential to facilitate the subsequent subdivision of the property into two or more residential units. However, this remains within LPA control because a full grant of planning permission would still be required for residential subdivision.

<sup>2</sup> This research has been prompted by recent extensions of permitted development rights through *The Town and Country Planning (General Permitted Development) (England) Order 2015* and other mechanisms. Whilst previous rounds of legislation have applied to more than one nation in the United Kingdom, the GPDO 2015 applies solely to England. Other forms of permitted development apply in Wales, Scotland and Northern Ireland [National Assembly for Wales, 2016].



**Table 2.1** Current categories of permitted development

Permitted development		Development possibilities	Change of use	Operational	Significance	Recognizable
Type	Sub-type					
Householder permitted development rights	Class A	Enlargement and alterations to house such as rear or side extensions as well as general alterations such as new windows & doors. From 30 May 2013 to 30 May 2019 a neighbour consultation scheme for larger rear extensions under Class A is required.	-	Yes	Nil unless occupied separately	Not unless subdivided
	Class B	Additions/alterations to roofs that enlarge house such as loft conversions involving dormer windows.	-	Yes	Nil unless occupied separately	Not unless subdivided
	Class C	Other alterations to roofs such as re-roofing or the installation of roof lights/windows.	-	Yes	Nil	-
	Class D	Erection of a porch outside an external door.	-	Yes	Nil	-
	Class E	Provision of buildings and other development within the curtilage of the dwelling.	-	Yes	Nil unless occupied separately	Not unless subdivided
	Class F	Provision of hard surfaces within the curtilage of the house such as driveways.	-	Yes	Minor	-
	Class G	Installation, alteration, or replacement of a chimney, flue or soil and vent pipe.	-	Yes	Nil	-
	Class H	Installation, alteration, or replacement of microwave antenna such as satellite dishes.	-	Yes	Nil	-
Change of use	A1	A2, A3, D2, C3	Yes	-	Yes	-
	A2	A1, A3, C3	Yes	-	Yes	-
	A3	A1, A2	Yes	-	Yes	-
	A4	A1, A2, A3	Yes	-	Yes	-
	A5	A1, A2, A3	Yes	-	Yes	-
	B1	B8, C3	Yes	-	Yes	-
	B2	B1, B8	Yes	-	Yes	-
	B3	B1	Yes	-	Yes	-
	C3	C4	Yes	-	Yes	-
	C4	C3	Yes	-	Yes	-
	S6 (casinos and amusements)	D2, A3, C3	Yes	-	Yes	-
	S6 (betting and pay day loan shops)	A1, A2, C3	Yes	-	Yes	-
S6 (agricultural)	A1, A2, A3, B1, B8, C1, C3, D2	Yes	-	Yes	-	
Caravan sites and recreational campsites GPDO 2015, Schedule 2 Part 5	Temporary use for caravan sites (Class A) or permanent use for recreational organizations (Class C).	Yes	Yes	-	-	
Agricultural buildings GPDO, Schedule 2 Part 6	Conversion, flexible use or residential (up to 3 units, 450m <sup>2</sup> ).	Yes	-	Yes	-	

continued

continued

Permitted development		Development possibilities	Change of use	Operational	Significance	Recognizable
Type	Sub-type					
Non-domestic extensions GPDO, Schedule 2 Part 7	Class A	Extension or alteration of a shop or financial or professional services establishment (up to 100m <sup>2</sup> ).	-	Yes	Yes	-
	Class B	The erection or construction of a trolley store within the curtilage of a shop (up to 20m <sup>2</sup> ).	-	Possible	Minor	-
	Class C	Click & collect facilities within the curtilage of a shop. Prior approval (up to 20m <sup>2</sup> ).	-	Possible	Minor	-
	Class D	Modification of shop loading bay.	-	Yes	Nil	-
	Class E	Hard surface within the curtilage of a shop or catering, financial or professional services establishment.	-	-	Nil	-
	Class F	Extension or alteration of an office building (up to 100m <sup>2</sup> with restrictions).	-	Yes	Yes	-
	Class G	Hard surfaces for office buildings.	-	-	Nil	-
	Class H	Erection, extension, alteration of an industrial building or warehouse (up to 200m <sup>2</sup> with restrictions).	-	Yes	Yes (minor?)	-
	Class I	Development relating to an industrial process (referring to plant).	-	Possible	Nil	-
	Class J	Hard surface in the curtilage of an industrial building or warehouse.	-	-	Nil	-
	Class K	Waste deposits from an industrial process.	-	-	Nil	-
	Class L	On land used as waste management, extension/alteration of building & replacement of plant & machinery.	-	Yes	Minor	-
	Class M	Erection, extension, or alteration of a school, college, university or hospital building.	-	Yes	Yes	-
	Class N	Hard surface in curtilage of school, college, university or hospital building.	-	-	Nil	-
Planning permission in principle		Housing led development on land identified in qualifying documents (e.g. brownfield registers).	-	Yes	Yes	Technical details submission
Local development orders (including neighbourhood and community orders)		LPA led.	-	Yes	Yes	Self-certification with LPA
Established use rights			Possible	Possible	Yes	Lawful development certificates

The scale of development possible under PD rights has increased over time.

The GPDO 1995 restricted any home extensions to just 10 per cent of the existing building (or 50 cubic metres, whichever is smaller) for terraced houses and 15 per cent (or 70 cubic metres, whichever is smaller) for any other dwelling.

The Town and Country Planning (General Permitted Development) (Amendment) (No.2) (England) Order 2008 allowed single-story home extensions to be 4m beyond the rear wall of the existing dwelling for detached houses, and 3m for other homes.

In 2012, provisions were made to allow single-story home extensions to extend by 8m for detached houses and 6m for all other houses in non-protected areas, for a period of three years. These temporary permitted development rights have now been extended until May 2019. A neighbour consultation scheme for larger rear extensions in Class A has also been introduced by the government in response to concerns about the original proposals.

## 2.4 Change of use provisions

The structural reforms to planning in the 1940s covered the requirement of planning permission not only for amendments to the built form of structures but also for changes to their use. Properties are restricted in the uses to which they may be put. The extant Town and Country Planning (Use Classes) Order defines classes of use. Changes of activity within each use class do not require formal planning permission, nor do changes from some use classes to others because such changes are PD.

The use classes have been regularly updated with orders and amendments. In England, these changes occurred in 1948, 1950, 1960 (twice), 1963, 1965, 1972, 1987, 1995, 2005, 2006, 2010 and 2015 (different dates and changes have been made in Northern Ireland, Wales and Scotland). Table 2.2 provides a summary of the changes of use that fall within various categories of permitted development.

The PD rights for change of use are restricted in some circumstances. For example, if the property is in a designated area (national park etc.) or if the LPA chooses to remove PD rights using an Article 4 Direction. Prior approval by an LPA may still be required, if the change of use impinges upon other considerations, including parking and highways.

The significant expansion of PD rights for change of use between 1995 and 2016 is illustrated in the comparison between Tables 2.3 and 2.4.

### 2.4.1 Change from office to residential use

In 2013 the Government relaxed restrictions on change of use, and allowed offices to be converted to residential use subject to the prior approval process (restricting LPA involvement to discussions on the technical aspects of the development, such as its siting, design and transport and highways issues). These temporary changes were made permanent in April 2016.

Prior to its introduction, a total of 165 (out of 326) LPAs applied for exemptions to the new PD right. However, exemptions were granted to only 17 LPAs, primarily in central London. This was on the basis that PD rights would have adverse impacts on national or local economic activity, which would not be offset by the benefits of PD rights (Geoghegan, 2013). Following the introduction of the new rights, some London boroughs have sought to implement Article 4 Directions to restrict PD, but have ultimately been required to modify their proposals by government (London Councils, 2015).

**Table 2.2** Permitted changes of use under the GPDOs of 1995, 2005 and 2015

From	To (1995)	To (2005)	To (2015)
A1 [shops]	No permitted change	No permitted change	A2, or up to 150m <sup>2</sup> . A3 subject to Prior Approval, or up to 200m <sup>2</sup> . D2 subject to Prior Approval and only if the premises was in A1 use on 5th December 2013. A mixed use comprising an A1 or A2 use and up to 2 flats may also be permitted subject to meeting certain conditions. C3 if the cumulative floorspace of the building is under 150m <sup>2</sup> and subject to Prior Approval.
A2 [professional & financial services]	No permitted change	A1	A1, or up to 150m <sup>2</sup> . A3 subject to Prior Approval, or up to 200m <sup>2</sup> . D2 subject to Prior Approval and only if the premises was in A2 use on 5th December 2013. A mixed use comprising an A1 or A2 use and up to 2 flats may also be permitted subject to meeting certain conditions. C3 if the cumulative floorspace of the building is under 150m <sup>2</sup> and subject to Prior Approval.
A3 [restaurants & cafes]	A1	A1 or A2	A1 or A2.
A4 [drinking establishments]	No permitted change	A1, A2 or A3	A1 or A2 or A3 except buildings that may be defined as "community assets".
A5 [hot food takeaways]	No permitted change	A1, A2 or A3	A1 or A2 or A3.
B1 [business]		Up to 235m <sup>2</sup> B8.	Up to 500m <sup>2</sup> B8.
B2 [general industrial]		B1 or B8 (Up to 235m <sup>2</sup> for B8)	B1 or B8 (Up to 500m <sup>2</sup> B8).
B8 [storage & distribution]	No permitted change	B1	Up to 500m <sup>2</sup> B1.
C1 [hotel]		No permitted change	
C2 [residential institutions]		No permitted change	
C3 [dwellinghouse]		No permitted change	C4 [small houses in multiple occupation].
C4 [houses in multiple occupation]			C3 [dwellinghouses].
D1 [non-residential institutions]		No permitted change	-
D2 [assembly & leisure]		No permitted change	-
Sui generis [casinos and amusement arcades/ centres]		No permitted change	D2, or only if existing building is under 150m <sup>2</sup> . A3 or subject to Prior Approval. C3 if the cumulative floorspace of the building is under 150m <sup>2</sup> and subject to Prior Approval.
Sui generis [betting offices and pay day loan shops]		No permitted change	A1 or A2. C3 if the cumulative floorspace of the building is under 150m <sup>2</sup> and subject to Prior Approval. A mixed use comprising a betting office or a pay day loan shop, or an A1 or A2 use and up to 2 flats may also be permitted subject to meeting certain conditions.
Sui generis [agricultural buildings]			A1, A2, A3, B1, B8, C1, C3, D2, all subject to meeting relevant criteria and Prior Approval. See notes below.

Source: Planning Portal, 2018

**Table 2.3 Permitted changes of use under GPDO 2005**

		Use in 2013 [permitted use class change 2005]															
Permitted development	Use in 1991/2001	A1	A2	A3	A4	A5	B1	B2	B8	C1	C2	C3	C4	D1	D2	Agricultural	Sui Generis
		A1	Light grey	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
A2	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
A3	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
A4	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
A5	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
B1	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
B2	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
B8	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
C1	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
C2	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
C3	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
C4	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
D1	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
D2	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
Agricultural	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue
Sui Generis	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue	Light blue

**Table 2.4 Permitted changes of use under GPDO 2016 (amendment)**

Permitted development	Use in 2013 (permitted use class change 2005)										Agricultural	Sui Generis						
	A1	A2	A3	A4	A5	B1	B2	B8	C1	C2			C3	C4	D1	D2		
A1	up to 150m <sup>2</sup>	up to 150m <sup>2</sup>	up to 200m <sup>2</sup> (temporary)			Temporary					up to 150m <sup>2</sup>							
A2	up to 150m <sup>2</sup>		up to 200m <sup>2</sup>			Temporary					up to 150m <sup>2</sup>							
A3						Temporary												
A4						Temporary												
A5						Temporary												
B1	Temporary	Temporary	Temporary			Up to 500m <sup>2</sup>												
B2																		
B8						Up to 500m <sup>2</sup>												
C1																		
C2																		
C3																		
C4																		
D1	Temporary	Temporary	Temporary			subject to limitations & prior approval												
D2	Temporary	Temporary	Temporary			subject to limitations & prior approval												
Agricultural	subject to limitations & prior approval	subject to limitations & prior approval	subject to limitations & prior approval			subject to limitations & prior approval					subject to limitations & prior approval							
Sui Generis	Betting office or pay day loan to A1	Betting office or pay day loan to A2	Casino, betting office or pay day loan to A3								Amusement centre, casino, betting office, lean shop or launderette to C3 (subject to prior approval)							Casino or betting office to D2

## 2.4.2 Conversion of agricultural buildings

PD rights exist for agricultural buildings, which may be converted into flexible use, educational use or residential. Each of these uses is subject to conditions and restrictions. The discussion here is based on the authors' interpretation of the relevant section of the GPDO 2015 (Part 3, Class Q). The legislation does not allow development under this right in areas of outstanding natural beauty, national parks or conservation areas.

No more than three units or floor space up to 450m<sup>2</sup> is provided for under PD rights within a single established agricultural unit (covering both existing and additional floorspace). Whilst the right assumes that the agricultural unit can feasibly act as a dwelling, it recognises that external works may be necessary (e.g. new exterior walls, doors, windows, roofs). These works are permitted if the existing structure is strong enough to support the building. The permitted development is also restricted by the definition of 'curtilage' for agricultural conversions. Goodall (2016, p.95) argues that 'this allows only a very small area of land adjacent to the agricultural building to be included in the permitted change of use.' LPAs have also rejected applications for prior approval on the grounds of 'sustainability of location' in terms of access and transport. However, revised Planning Practice Guidance in 2015 was introduced to prevent rejections on such grounds (Goodall, 2017). The revised guidance states that 'the right recognises that many agricultural buildings will not be in village settlements and may not be able to rely on public transport for their daily needs.' (PPG, 2017, Reference ID: 13-108-20150305).

An agricultural unit must have been used solely for agricultural purposes on 20th March 2013 or when it was last in use before that date. If the unit was developed after 20th March 2013 then 10 years of agricultural use is required prior to development works being undertaken through PD. Before converting the property to residential use an application to the LPA is necessary to determine whether prior approval is necessary, based upon transport, highways, noise impacts of development, flooding, contamination, design or external appearance of the building or if the site is otherwise impractical for housing.

## 2.5 Planning Permission in Principle (PPIP)

The Housing and Planning Act 2016 provides a new route through the planning system for housing development: PPIP. The act, which took effect in July 2016, stipulates that the majority of the development must be residential, although this opens the possibility for delivery at multiple stages over time in which housing is not necessarily delivered first. Permission in principle is granted in the first instance before technical details consent is applied for (which combine to make full planning permission) (HMG, 2017).

There are two routes to obtain permission in principle. First, an application may be made to the LPA or, in some circumstances, directly to the Secretary of State. Second, land identified in qualifying documents may have de facto permission in principle, as long as the development is satisfactory according to those qualifying documents. Where the land is identified in a qualifying document, such as a brownfield register (Housing and Planning Act 2016, Part 6, Section 150), the LPA can only refuse permission based upon the technical details and not upon the principle of development. The document must stipulate that the land in question is allocated for development and prescribe the type of development permitted. In the same act LPAs are required to compile and maintain brownfield land registers that identify land suitable for housing.

## 2.6 Local and Neighbourhood Development Orders

Local Development Orders (LDOs) are made by LPAs to permit specific types of development within particular areas without the need for the developer to apply for planning permission. The ability to create LDOs was introduced by the Planning and Compulsory Purchase Act 2004. Section 106 agreements cannot be required for developments granted consent by a LDO but conditions may be attached when the order is formulated, such as a requirement to mitigate the impact of development. NDOs were introduced by the Localism Act of 2011 and may also be created by an LPA at the behest of a qualifying body such as a parish council or neighbourhood forum. There is evidence that the uptake of NDOs has been limited (DCLG, 2016a).

## 2.7 Non-domestic extensions and new build (Part 7, GPDO 2015)

There have been a series of changes to permitted development rights relating to non-domestic property since 1995, with major changes occurring in 2010 and 2013. Several of these categories provide PD rights for relatively insignificant forms of development such as landscaping. The most significant classes are briefly outlined below.

### 2.7.1 Industry and warehouses (Part 7, Class H)

Prior to 2010, PD rights for industrial buildings and warehouses were limited to the alteration and extension of existing buildings only. The gross floorspace of the original building could be extended by up to 25% or 1,000m<sup>2</sup>, whichever was the least. If the site was within a designated area these thresholds were reduced to 10% or 500m<sup>2</sup>. In 2010 the PD rights were extended to allow for the construction of new buildings of up to 100m<sup>2</sup>.

In 2013 these figures were essentially doubled for a temporary period of three years with the introduction of PD rights for new on-site buildings of up to 200m<sup>2</sup> and extensions rising to 50% and 20% respectively. There remains an absolute limit of 1,000m<sup>2</sup> to building extensions. These temporary relaxations were made permanent in 2015.

### 2.7.2 Schools, colleges, universities and hospitals (Part 7, Class M)

Before 2010, PD rights for colleges, universities and hospitals allowed extensions of up to 10% of the original building. In 2010, a change allowed new buildings or extensions of up to 25% of the original building or 100m<sup>2</sup>. In 2017, a further amendment allowed for the provision of temporary schools on vacant commercial land and to extend the period during which buildings could be used as temporary schools from one academic year to two.

### 2.7.3 Office buildings, financial and professional establishments and shops (Part 7, Class A)

In 2010, new PD rights allowed for extensions of up to 25% of the gross floor space or 50m<sup>2</sup>, whichever is the lesser. These figures were doubled in 2013 to 50% or 100m<sup>2</sup> for a temporary period of three years. These changes were made permanent in 2015.

## 2.8 Renewable energy schemes

PD rights have also been used to facilitate renewable energy schemes of various types. In 2008 an amendment to the 1995 GDPO allowed for the installation of micro-generation equipment (solar PV, solar thermal source, and heat pumps) on a dwelling house under PD. A further amendment in 2011 allowed for the installation of charging points for electric vehicles.

## 2.9 Established use rights

Development may occur without formal planning permission having been granted. The Town and Country Planning Act 1990 replaced 'Established Use Certificates' with 'Lawful Development Certificates' (LDCs). An Established Use Certificate provided immunity from enforcement action, but did not stipulate that the development was lawful. The LDC, however, gives full legal status to the subject development. LDCs may be awarded by an LPA to confirm that a development that has already taken place without the required permission is considered lawful, or that a proposed development would be lawful.

Under the Planning and Compensation Act 1991 rolling time limits for LPAs to take enforcement action were put in place. These limits essentially transfer the status of the development from potentially being in breach of planning control to being lawful.

## 2.10 Extension of permitted development rights: conclusions

The above review demonstrates that there has been a series of deregulatory changes to the planning system in recent years. New permitted development rights have reduced direct local government control over the location and scale of new development and the ways in which existing buildings are used. This has occurred through major changes to the General Permitted Development Order (England) in 2005, 2010, 2012, 2013, 2015 and 2016. Further reductions in local government control of development have been affected by the introduction of the PPIP system (in 2016), through LDOs and NDOs (introduced in 2004 and 2011, respectively) and through changes to the process for confirming the legality of development. The categories of development that can now proceed without the need to obtain formal planning permission include:

- large extensions, residential annexes and other alterations to existing houses
- the conversion of commercial buildings including offices to residential use
- the conversion of agricultural buildings to residential use;
- changes between different industrial and commercial uses
- the extension of industrial and commercial buildings and the construction of new buildings on their sites
- the development of new residential units through the Planning Permission in Principle (PPIP) process and under Local and Neighbourhood Development Orders (LDOs & NDOs)

The changes to the planning system wrought by these extensions to PD rights will result in costs and benefits for local authorities. Some of the costs and benefits will be direct and quantifiable and others will be indirect and/or non-quantifiable (and therefore outside the scope of this report, but considered by Clifford et al 2018). In the next chapter we identify the direct financial costs and benefits to local authorities and the categories of permitted development to which they apply.



## 3.0 Financial differences between permitted development and planning permission



### 3.1 A comparison of two scenarios

In this chapter we identify the differences in direct financial costs between a development being pursued under permitted development rights and a development that has been granted full planning permission. The approach we adopt is to compare these two scenarios as they apply to identical schemes. The situation regarding infrastructure provision and property taxes is also briefly discussed. Following this, the three direct financial impacts are considered:

- affordable housing contributions under Section 106 agreements
- planning application fees
- the Community Infrastructure Levy (CIL).

These three costs do not apply equally across the various categories of PD. The categories of PD to which each cost apply are indicated below. For the purposes of identifying costs, PD rights are divided into the following categories:

- householder permitted development rights
- change of use from business property, including offices (B1), to residential
- change of use from agricultural building to residential
- changes between different industrial and commercial uses
- permitted development rights for extensions to industrial and commercial buildings, and new build on their sites
- permitted development rights for new residential units through the Planning Permission in Principle (PPIP) process and under Local and Neighbourhood Development Orders (LDOs & NDOs).

### 3.2 Infrastructure provision and property taxes

It may appear obvious to suggest that removing the need to obtain formal planning permission for development could lead to less support for infrastructure provision (such as through a reduction in the financial contributions developers often pay towards infrastructure schemes via CIL). However, in reality, the impact on many forms of infrastructure may be minimal. This is because many forms of infrastructure are managed by privatised or third-party organisations (for example, energy, water, telecommunications). In such cases providers will enter into their own contracts with developers without the need for local authority knowledge or involvement. For these organisations, any differences in how the development is approved are irrelevant. In a similar way, the extension of PD rights makes no difference to the income derived from property taxes. Business rates and the council tax are charged, respectively, on the rental and capital values of the subject properties. Any increase or decrease in income following a change from commercial to residential use or vice versa is not affected by the means through which the development was approved.

### 3.3 Section 106 agreements (including affordable housing)

For the purposes of this review it is useful to separate planning obligations under Section 106 agreements into two categories of site specific requirements:

- first, those that require a portion of housing to be affordable
- second, other obligations that affect the character of the development (such as provision of public open space).

The extension of PD rights does affect the ability of LPAs to impose planning obligations on developers (under Section 106 of the Town and Country Planning Act 1990). There is no requirement for a developer to enter into a Section 106 agreement with the local authority when development is conducted under permitted development. This contrasts with the formal planning application process, where local authorities can impose obligations upon developers to make developments more acceptable in planning terms.

In the case of the first category of planning obligations under Section 106, the impact of PD is a significant reduction in affordable housing contributions.

### 3.3.1 Affordable housing and PD categories

Not all types of development with full planning permission would have been required to make an affordable housing contribution. For this to be the case, the development must involve the construction of a minimum of 10-15 residential units, depending on the threshold established by the LPA. Consequently, the effect of PD rights on affordable housing contributions is as follows.

- **Householder PD rights:** no effect on affordable housing contributions (no new residential units created).
- **Change of use PD rights for commercial and industrial buildings:** no effect on affordable housing contributions (no new residential units created).
- **Agricultural to residential PD rights:** no effect on affordable housing contributions (the maximum number of units allowed under PD rights is three which is below the threshold for affordable housing contributions).
- **Commercial to residential PD rights:** result in reduced affordable housing contributions. The London Councils think-tank claims that in London, for example, prior approval has been granted for 7,000 new dwellings in schemes of 10 units or more, and if these had been approved through the planning system it would have produced as many as 1,000 new affordable homes or equivalent Section 106 contributions (London Councils 2015).
- **PPIP, LDOs and NDOs:** no effect on affordable housing contributions. Although it is not possible to attach a Section 106 agreement to planning permission for developments under LDOs and NDOs, it is possible for the original LDO or NDO to impose conditions requiring the provision of affordable housing. In the case of PPIP, technical details approval can involve negotiation of a Section 106 agreement covering matters including affordable housing (DCLG, no date).

### 3.3.2 Other Section 106 agreements and PD categories

The second category of Section 106 agreements mitigates the cumulative negative impacts of development, often through imposing tariffs to fund new infrastructure or services. However, this has been largely superseded by the CIL that was introduced in 2010. Even where local authorities have not implemented the CIL, the use of this type of Section 106 agreement has been significantly curtailed (PAS, 2015). As such none of the categories of PD rights identified above lead to reductions in this type of Section 106 planning obligation.

A further relevant point is that major schemes such as large-scale office to residential conversions may involve ancillary works such as landscaping or provisions for access. These would require planning permission to which a Section 106 agreement could be attached if the planned conversion met the new conditions on tariff style contributions.

## 3.4 Planning application fees

The second primary impact of PD rights is likely to be the financial cost to local authorities arising from a reduction in application fee income. It has been estimated that the benefits to applicants in not submitting planning applications for change of use from office to residential use in England could range from £0.1m to £4.4m each year (DCLG 2013b). However, some of this cost could be attributed to the reduction in agent or consultancy fees for applicants. In the case of larger schemes, de Waal and Amesbury (2011) argue that a 1% shift in floor space from office to residential under permitted development rights could save applicants £100m in terms of fees, legal advice and associated costs. The cost to developers of submitting a change of use planning application – which includes consultant fees and legal costs – is between £1,250 and £25,100 (with a best estimate of £13,175) (DCLG 2013b).

For local authorities, this reduction in income is not necessarily matched with a reduction in the amount of time officers have to spend on planning concerns. One authority claimed it had over 1,000 enquiries a year seeking clarification or written confirmation that PD rights apply to specific proposals (Lichfield & Partners, 2003). To try and recoup some of these costs, local authorities can charge for pre-application advice. For example, for telecommunications applications, the pre-application advice offered by an LPA may cost up to £2,000 (Arup, 2009) even if the development is then considered to be suitable under the permitted development guidance.

Even if a project proceeds under permitted development (through prior approval), if the LPA believes the development could result in a 'material increase or a material change in the character of traffic in the vicinity of the site' then it must consult the relevant statutory consultees (Cameron 2013), leading to a workload effectively equal to determining a full planning application.

No planning application fees are payable if there is an attempt to reinstate planning control and restrict PD rights (such as through Article 4 Directions). Once the PD rights are restricted, there is no planning application fee payable where an application is required, owing to the removal of permitted development rights (PPG, 2017, Reference ID: 13-041-20140306).

### 3.4.1 Planning application fees and categories of PD

- **Householder PD rights:** no fee even if prior approval is required for a large extension (if full planning permission was required the application fee would be £172).
- **PD rights for change of use of commercial and industrial buildings:** no fees (if full planning permission was required the application fee would be £385).
- **PD rights for extension and new build of commercial and industrial property:** no fees (if full planning permission was required the application fee varies depending on scale with a minimum of £175 for the erection of new buildings and a minimum of £385 for extensions).
- **PD rights for change from commercial to residential use:** reduced fee of £80-172 for grant of prior approval depending on the previous use. If full planning permission is required, the cost of applying would be £385. Further, while the fee for prior approval is per application, the £385 charge is per residential unit (although there are reductions on the per unit cost depending on the scale of development and the maximum amount payable is £250,000).
- **PD rights for change from agricultural to residential use:** reduced fee of £172 (otherwise £385 if full planning permission was required).
- **PPIP, LDOs and NDOs: no loss of application fees:** these categories of PD require submission of an application for approval of technical details which is charged at the same rate as an application for full planning permission.

## 3.5 The Community Infrastructure Levy (CIL)

CIL is a charge levied on developments that create new buildings or extend existing buildings. It can also be charged where buildings are being converted to a new use. The charge is intended to allow local authorities to cover the costs of the infrastructure required to support new development. CIL replaced part of the previous system of negotiated Section 106 agreements with a new, locally determined, standard charge per square metre of development. It was introduced by the Community Infrastructure Regulations 2010. The regulations have been amended several times since then: in 2012, 2013, 2014 and 2015. As of October 2016, 130 local authorities in England and Wales were charging CIL and a further 88 were in the process of adopting a CIL charge (DCLG 2016a).

CIL is widely regarded as an extremely complex system and as having an uneasy relationship with established planning law (Burgess, Monk and Whitehead, 2012). The complexity has been exacerbated by the repeated amendments to the regulations and a lack of established case law (Cant, 2015b). The sections of the legislation designed to distinguish between 'in-use' and vacant buildings have been highlighted as a particular source of uncertainty for practitioners (DCLG, 2016a). These sections have been the source of legal challenge to a CIL charge in the case of R (oao Hourhope Limited) v Shropshire CC [2015] EWHC 518 (Admin).

Most types of development involving the exercise of PD rights are treated in the same manner for the purposes of CIL as if they required a full grant of planning permission. In order for a development to be liable for CIL it must meet two criteria:

- it must constitute "development"
- it must require "planning permission"

as defined by the CIL regulations. Part 2(5) of the CIL regulations specifies that the definition of planning permission in the regulations includes 'general consent'. It adds that 'general consent' includes orders made under Section 59 of the Town and Country Planning Act (TCPA) 1990. Meanwhile, the introduction to the GPDO 2015 clarifies that it is an order made 'in exercise of the powers conferred by Section 59 of the TCPA 1990'. As a result, permitted development is generally accepted to constitute a grant of 'planning permission'

for the purposes of the CIL regulations. There are some conflicting interpretations as described below in the section on the CIL and changes of use. However, barring such exceptions, most developments under PD rights will be treated in the same manner as those with formal planning permission for the purposes of collecting CIL. Consequently, PD rights are not, in principle, likely to have a significant impact on CIL revenue for LPAs.

- **Householder PD rights:** no effect on CIL revenue. The CIL liability of this category of development is not related to the method of achieving development consent (whether via PD rights or full planning permission).
- **PD rights for commercial and industrial buildings (both change of use and extension/new build):** no effect on CIL revenue. The CIL liability of this category of development is not related to the method of achieving development consent (whether via PD rights or full planning permission).
- **Local communities:** Councils are now required to pass 15% of CIL receipts to relevant Parish and Town Councils arising from developments in their areas. This rises to 25% in areas with an adopted Neighbourhood Development Plan. However, because of the limited uptake of NDOs and related neighbourhood planning mechanisms, the overall effect is minimal (DCLG, 2016a).
- **PD changes of use from office to residential and from agriculture to residential:** changes of use in these categories that involve the redevelopment of non-vacant buildings are, for the purposes of CIL, treated as if they required a full grant of planning permission. They will have no effect on CIL revenue. If they involve vacant buildings, CIL liability is more complex. This is discussed in more detail below.

### 3.5.1 CIL and PD changes of use

There are various CIL deductions available for non-vacant buildings that are being redeveloped for residential use. These apply irrespective of whether development consent is via PD or full planning permission. The effect is that developments involving vacant buildings will be potentially liable for CIL whereas more straightforward conversions of non-vacant ('in use') buildings will be exempt. The current definition of an 'in use' building is one that has been in lawful use for its intended purpose for a period of six months during the three years preceding a grant of planning permission (HHJ Cooke, 2015).

It is important to note that the existence of this distinction undermines the stated objectives of PD rights for office to residential conversions. From their inception the PD rights for commercial (especially office) to residential changes of use, were envisaged as a method of facilitating the reuse of vacant and underused commercial buildings (DCLG, 2012a). However, the operation of CIL, specifically the availability of an exemption for in use buildings,

incentivizes developers to redevelop in use rather than vacant buildings. This suggests that CIL is, from the outset, inappropriately adapted to the deal with this category of development.

In the 2014 amendments to the CIL regulations, a provision was introduced that granted a CIL deduction for certain buildings irrespective of whether they were in use or not. This provision has (apparently unintentionally) had an impact on the CIL liability of PD changes of use of vacant buildings. The deduction is included in Regulation 40(7) of the CIL regulations as amended. There is considerable ambiguity in the precise language used to introduce the deduction into the CIL regulations which means that PD changes of use may benefit from the deduction. According to Regulation 40(7) the deduction is available if the future use is one 'that is able to be carried on lawfully and permanently without further *planning permission*' [emphasis added].

This introduces a question of whether the term 'planning permission' here should be interpreted with reference to the definition provided in Part 2(5) of the CIL regulations which has already been discussed (in Section 3.5 above) or alternatively in the conventional sense of the term (i.e. as distinct from permitted development). The former position is evidently correct if it is assumed that the term 'planning permission' is used in a consistent manner throughout the regulations. In addition, the intention of the legislation is explained by DCLG's response to the 2013 consultation on CIL:

*'where the use of a building is not changing, we are also proposing that this will be exempt from the levy, other than for an increase in floorspace, or where the building is abandoned, on the basis that where a former use is continued no significant new burden on infrastructure is created'* (DCLG 2013a, p. 13).

Based on this explanation, especially the reference to the use of a building 'not changing', it seems that this deduction should not be interpreted as applying to changes of use. However, evidence suggests that some LPAs have taken a contrary position. One example is the West Lancashire LPA CIL guidelines which suggest that vacant buildings, in this case conversions from agricultural to residential use, could benefit from the deduction due to the existence of PD rights (West Lancashire Borough Council, 2014).

As a result of the apparent lack of a shared interpretation of the CIL regulations, a small number of LPA CIL officers and planning law professionals were consulted to clarify how they deal with this category of development. Their responses indicated conflicting interpretations as to whether PD changes of use to residential involving vacant buildings should benefit from the deduction in Regulation 40(7). A majority of those surveyed stated that permitted development of the type in question would be liable for CIL. Their argument was that the reference to 'planning permission' in the relevant section of the

regulations should be interpreted as including planning permission granted via PD rights. However, a minority took an opposing position and stated that a CIL deduction should be available for PD changes of use to residential irrespective of vacancy. For example, one LPA CIL Officer who was consulted stated (in a written response) that:

*“the CIL regulations make an allowance to enable discounts for floorspace where the intended use following completion of the chargeable development is a use that is able to be carried on lawfully and permanently without further planning permission (i.e. that which can be done under general consent)”.*

Two of those in favour of CIL deductions were LPA CIL Officers and their interpretation of the legislation was reflected in their CIL charging policies (although no data was collected about the number of developments granted a CIL exemption). Some of those surveyed on both sides had sought legal advice and had received conflicting advice. A further issue highlighted is that developers have alternative means of reducing their CIL liability. If a developer is not able to claim an exemption because the building is vacant, it is possible for them to return a portion of the building into use for a short period. It is not required that the entire building be in use to claim a full CIL exemption and the CIL regulations do not allow local authorities to consider whether a building has been returned to use specifically in order to avoid a CIL charge.

### 3.5.2 CIL liability in relation to PD changes of use

- **Agricultural to residential developments:** as previously stated, where buildings undergoing redevelopment are not vacant, CIL liability is unrelated to the method of gaining development consent, whether via PD or full planning permission. Where the buildings are vacant there is a potential loss of CIL due to the existence of PD rights but this depends on the interpretation of the CIL Regulations by the LPA.
- **Commercial to residential developments:** the situation regarding commercial to residential conversions is identical to that of agricultural to residential conversions (as outlined above). Whether CIL is charged on PD changes of use involving vacant buildings will depend on the interpretation of the CIL Regulations by the LPA.

It is also worth reiterating that the distinction between in use and vacant buildings is, in the first instance, a perverse incentive that encourages the redevelopment of viable commercial buildings in use rather than vacant ones. This is because the ultimate outcome of CIL regulations (if interpreted as seemingly intended) would be a CIL charge on PD changes of use involving vacant buildings and not on those involving the redevelopment of in use buildings, for example viable office buildings.

A loss of viable commercial office space has already been documented as a negative effect of PD rights for office to residential conversions (London Councils, 2015). In this context, interpreting the CIL Regulations as granting a deduction for PD changes of use involving vacant buildings (even if it were legally incorrect) would eliminate this perverse incentive. It would therefore be understandable if some LPAs sought to grant exemptions on tenuous legal grounds if it resulted in a better balance in changes of use between viable and vacant office buildings.

## 3.6 Financial differences between PD and planning permission: conclusions

This section has investigated the financial differences between PD and full planning permission. As previously stated, the objective was to compare a scenario where development proceeded under PD rights with one where the same development followed a grant of full planning permission. The major financial differences arise from:

- a loss of planning application fees and
- a loss of affordable housing contributions.

In principle, the extension of PD rights should have no effect on CIL revenue. In practice, some LPAs are interpreting CIL regulations in such a way as to exempt PD changes of use from the levy. The impact of such an interpretation on CIL revenue is difficult to quantify for two reasons. These are:

- first, a lack of data on LPA CIL charging policies
- second, the difficulty of distinguishing between vacant buildings and buildings in use that are undergoing redevelopment.

As a result, CIL has not been incorporated into the final cost benefit analysis.

The categories of PD to which these costs apply are illustrated in Table 3.1. Not all of the categories of PD rights have been included in the cost benefit analysis outlined in the following sections. This is because of the difficulties of estimating the amount of development under the relevant PD rights (Householder PD rights and PD rights for extension and new build on commercial & industrial sites) and because in the case of PPIP, LDOs & NDOs implementation has been limited.

**Table 3.1**

**Categories of permitted development and their related costs**

Category of PD rights	Loss of planning application fees	Loss of CIL	Loss of affordable housing contributions	Loss of other S106 planning obligations	Loss of third party infrastructure funding
Householder PD Rights	Yes (reduction from £172 to £0)	No	No	No	No
Changes of use from agricultural to residential	Yes (reduction to £80-172 per prior approval. Previous cost dependent on scale)	Possible loss in case of vacant buildings & dependent on LA charging policy	Yes (if scheme is above relevant threshold of new units)	No	No
Changes of use from agricultural to residential	Yes (reduction from £385 per unit to £172 per prior approval)	Possible loss in case of vacant buildings & dependent on LA charging policy	No	No	No
Changes between different commercial & industrial uses	Yes (reduction from £385 to £0)	No	No	No	No
PD Rights for extension and new build on commercial & industrial sites	Yes (reduction to £0. Previous cost dependent on type and scale)	No	No	No	No
Residential new build under PPIP, LDOs & NDOs	No	No, but reduction of 15%-25% in CIL allocated to LA	No (can be required by NDO/LDO or negotiated in PPIP)	No	No



# 4.0 Assessing the scale of development realised under permitted development

## 4.1 Introduction

This chapter attempts two interlocking tasks. First it sets out the methods used to estimate volumes of development across England that potentially might have been sanctioned by PD rights between 2010 and 2017. Second, it sketches out trends in the configuration and use of the built environment that provide a context for the use of PD rights and help in understanding their significance. These tasks interlock because, having identified particular categories of development of concern, the approach to the work depends upon attempting to gauge the total volume of development of each type and to assess what portion of such development might have been realised without submission of formal planning applications.

The types of change discussed in this chapter are typically thought of as limited streams of development involving the incremental expansion of existing facilities or a change in their use. Indeed, the challenge of this work lies in gauging the importance (or otherwise) of activity that is often considered inconsequential.

The estimates of development volumes within these categories (at regional level) provided in this chapter form an input to the analysis of the financial implications of PD in Chapter 5. The categories of development considered are:

- the conversion of commercial buildings including offices to residential use
- the conversion of agricultural buildings to residential use
- changes between different industrial and commercial uses together with the extension of industrial and commercial buildings and the construction of new buildings on their sites.

Two significant caveats are necessary. First, the most familiar category of PD – development within the curtilage of a dwellinghouse – is not considered at all, even though this may include residential annexes and large extensions. This is because such an examination would not be practical at national level. Second, estimation of the volume of permitted development of any form is difficult, subject to substantial error (itself hard to quantify) and must proceed without the benefit of previous studies. By their nature, many of the changes of concern are not directly captured by either administrative processes, or statistical data collection. Many are invisible to remote sensing, and even where physical changes (such as residential or non-residential extensions) might be imputed through comparison of remotely sensed imagery for different times, processing costs rule out such approaches.

## 4.2 Data sources and approach: general

This research primarily relies on recorded changes in the configuration and use of property from very detailed administrative information derived from Royal Mail's Postcode Address File (PAF), the Valuation Office Agency's (VOA) rating lists (for 2010 and 2017) and closely linked sources such as the Office of National Statistics (ONS) Postcode Directory and Ordnance Survey's 'Codepoint'. These same administrative data sources may also be used to locate change that might be realised through PD rights in the context of broader change of the built environment, both urban and rural.

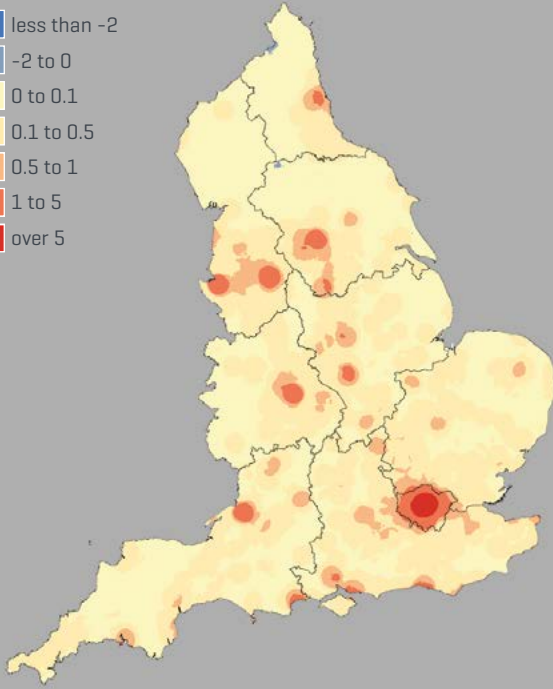
PAF for a specific point in time provides a picture – building by building and street by street – of the property to which Royal Mail delivers letters. Those households and businesses that receive mail directly are distinguished from those where mail is delivered to a central point (for example, in a house in multiple occupation or serviced apartments). PAF also identifies the names of non-residential occupiers of property. In many circumstances computational natural language interpretation allows inferences to be made about the character of the property and the occupier (by analysing references to flats, apartments, units in industrial estates and business parks etc.) and in many cases the likely use. Moreover, once such inferences are made, and held in an appropriately structured way, further inferences about change may be made by comparison with new material as the sources are updated. This allows very detailed information to be constructed of very fine spatial grain, but at a national scale. Moreover, information assembled in this way may be organized into a regular grid of 100m x 100m cells and used to reveal much broader patterns using geographic moving averages (as illustrated in Figure 4.1).

Figures 4.1a and b use PAF to illustrate the geography of change in the dwelling stock since 2001, providing a context for appreciating change associated with the extension of PD rights. Figure 4.1a expresses net change in the stock of dwellings within 10km of any point between 2001 and 2017 as additional units per hectare. This takes account of all sources of change (new build, conversion, subdivision, amalgamation). It does not show strong regional variation but tends to reflect the distribution of households at the millennium and in turn the very deeply embedded structure of settlement.

**Figure 4.1a** Growth in dwellings 2001-2017

Units per ha [10km moving average]

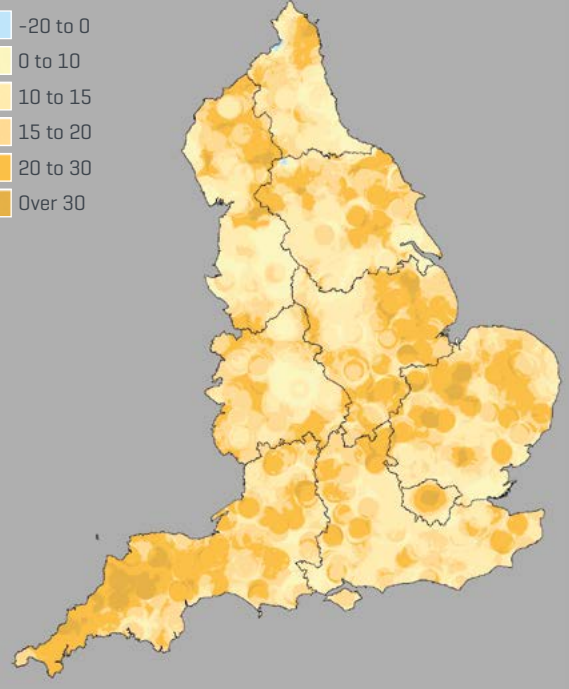
- less than -2
- 2 to 0
- 0 to 0.1
- 0.1 to 0.5
- 0.5 to 1
- 1 to 5
- over 5



**Figure 4.1b** Growth in dwellings 2001-2017

% of 2001 stock [10km moving average]

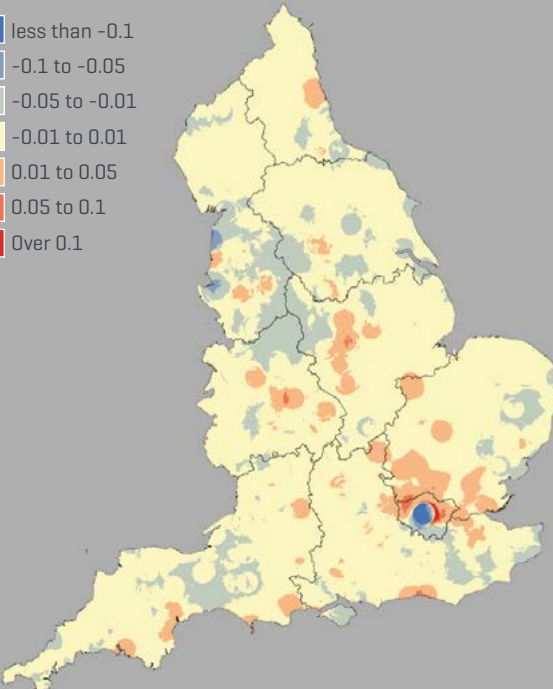
- 20 to 0
- 0 to 10
- 10 to 15
- 15 to 20
- 20 to 30
- Over 30



**Figure 4.1c** Change in stock of non-residential units 2001-2017

Units per ha [10km moving average]

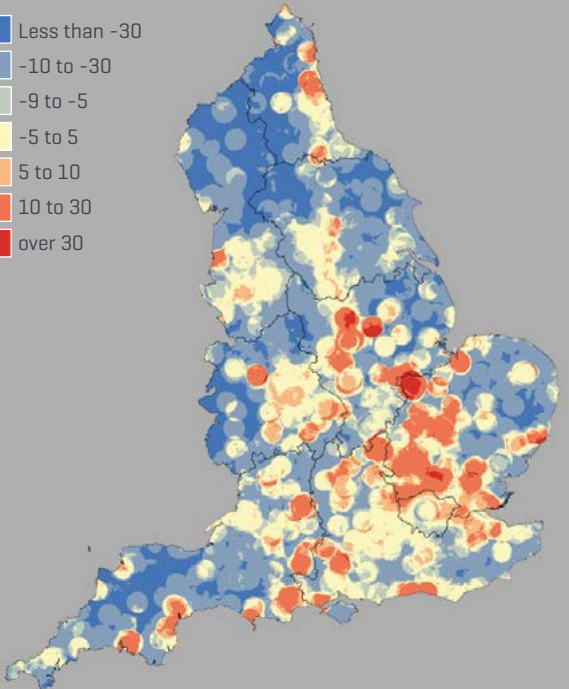
- less than -0.1
- 0.1 to -0.05
- 0.05 to -0.01
- 0.01 to 0.01
- 0.01 to 0.05
- 0.05 to 0.1
- Over 0.1



**Figure 4.1d** Change in stock of non-residential units 2001-2017

% of 2001 stock [10km moving average]

- Less than -30
- 10 to -30
- 9 to -5
- 5 to 5
- 5 to 10
- 10 to 30
- over 30





Typically, two thirds of households move within 10kms (Bibby, 2016) and so the moving averages used in Figures 4.1a-d capture the manner in which households diffuse in space and time. Figure 4.1a highlights the scale of the absolute increase in dwellings in major conurbations (London, Tyne and Wear, West Yorkshire, extending southwards to South Yorkshire, Merseyside and Greater Manchester, with the Mersey Belt in between, and the West Midlands). Major freestanding cities such as Bristol and Leicester similarly show values in excess of five additional dwellings per hectare.

Figure 4.1b complements this picture by using PAF to show rates of net growth relative to the stock of dwellings at the millennium, emphasising the leading edge of development. The geography is generally quite different from that of absolute change and this pattern of variation, while far from volatile, changes more readily over time. High rates of growth in dwellings relative to stock are found in much of the south west region and extend diagonally through to the eastern region and the East Midlands, forming what Hall (1988) termed a 'Golden Belt'. This runs through Swindon, Milton Keynes and Peterborough where the realisation of growth proposals of the 1964 South East Study continued through the period. A disjointed area in the North Pennines and Northumberland also displays high rates of growth, but relative to very low stocks. With the exception of London, where high rates of growth coincide with large volumes of development in absolute terms, the major conurbations show low rates of growth. It is only since 2001 that housing pressure has been such that London's growth rates have rivalled or exceeded those in the Golden Belt. This tendency has been facilitated, but not explained by extension of PD rights (see below).

PAF also allows an appreciation of the changing geography of non-domestic property. Figures 4.1c and d illustrate aspects of net change in the number of non-residential addresses within 10kms of any point. This reflects change not only in B1 property but also in facilities such as shops, schools and public houses. Figure 4.1c demonstrates that there has been only limited absolute change across most of England, but shows an expanding stock of non-residential units stretching from outer London into Hertfordshire and parts of Essex, and parts of north Kent. Further from London, there has been clear absolute growth in the south coast conurbation and around Cambridge. This growth is in not related to the extension of PD rights, though occupation of non-residential premises by a larger number of smaller businesses may be realised through PD. Again the planned expansion of particular towns such as Swindon, Milton Keynes and Peterborough is evident. More generally across the regions, few areas have shown clear expansion in the stock of non-residential properties. In the South West these are Plymouth, Exeter-Torbay, and Weymouth; in the West Midlands – Coventry, Birmingham – Black Country and Telford; in the East Midlands – the M1

corridor between Leicester and Chesterfield, together with Newark; in the North West – Warrington, Manchester and Preston; in Yorkshire and the Humber – Leeds; and in the North East, the Newcastle area and Darlington. In all these places any tendency to take advantage of PD rights to convert from office to residential has been more than offset by gains in non-residential units in other ways. Counterposed to this are areas of substantial loss of non-residential units. Loss in London is most marked, an adjustment facilitated by the extension of PD rights. London apart, Liverpool, Lancaster-Fylde, Middlesbrough and the North Staffordshire conurbation show substantial losses of non-residential units in absolute terms.

Figure 4.1d immediately demonstrates the general tendency towards reduction in the stock of non-residential units across England, while showing that the substantial absolute loss in non-residential units in London was modest relative to stock. The overall pattern is thus one of marked loss of non-residential uses relative to stock across much of England away from major urban areas (the exceptions being parts of the eastern region-Cambridgeshire and Bedfordshire). Many of the more rural areas of England show marked decline (especially Devon and Cornwall, Shropshire and Herefordshire, North Derbyshire, North Lancashire, most of North Yorkshire, East Yorkshire, Norfolk and much of Suffolk). This loss of non-residential property reflects continuing reorganisation of employment and services, a tendency which the extension of PD rights to include B1 to C3 conversions has potentially facilitated.

Analysis of PAF also contributes to the classification of settlement contexts which underlies Government's urban and rural classification (see Bibby and Brindley 2013) and plays an important part in the assessment of permitted development within farm holdings (see Section 4.4). Moreover, it is important to appreciate the way in which Royal Mail's practices respond to physical environmental change. Piecemeal small-scale development such as the construction of one or two houses within the curtilage of existing units or in the spaces between existing properties has limited repercussions for mail handling and therefore does not prompt a change in the mesh of postcodes in use. Small scale change from agricultural buildings or business units to C3 are accommodated in this way. By contrast, construction of a residential tower or conversion of an office block to residential use shifts the number of distinct mail users substantially and thus requires the creation of new unit postcodes, providing a prima facie indicator of where such large-scale and locally significant change has occurred. The need to adjust mail delivery arrangements to accommodate 'locally significant change' in the physical environment provides an indicator of where such change has occurred, and proves important in identifying larger changes from B1 uses to dwellings (C3) as discussed in Section 4.3.1.

Given the heterogeneity of non-residential property it is useful to supplement information about the stock of non-residential addresses from PAF with further information about change in aggregate floorspace from the rating lists maintained by the VOA (see Figure 4.2a). Recourse to successive updates of the rating list allows fuller information to be constructed about the changing incidence and character of non-domestic property. It includes not only property to which Royal Mail delivers letters, but also buildings and plants that are invisible on PAF (such as ancillary industrial buildings, storehouses, or electrical generators). The units on the list do not correspond to property addresses but to rateable hereditaments. By statute, a 'rateable hereditament' is defined as 'property which is or may become liable to a rate, being a unit of such property which is, or would fall to be, shown as a separate item in the valuation list' (1967 General Rate Act s115(1); see VOA, 2017, para 1.2.2).

Tracking hereditaments allows very detailed inferences to be made about the geography of changing property use, and about the changing configuration of non-residential floorspace (see Figure 4.2a) and of corresponding shifts in rent (cf Figure 4.2b). This allows a quite different perspective. In London the stock of both units and floorspace fell. Places showing a clear increase both in units and floorspace include Coventry, Warrington, Leicester, Darlington and Telford – locations well served by the motorway network. Restricting attention to offices, Figure 4.2b (showing change in their aggregate rateable value) confirms substantial losses in central London – consistent with PD changes, but marked gains around Reading to the west, Cambridge to the north and around Leicester. Figure 4.2b, however, confirms that across most of England the marked losses of non-residential addresses relative to stock shown in Figure 4.1d have been associated with loss of aggregate office rateable value (RV) as business uses have been relinquished.

Before moving further, it is also necessary to give some attention to 'obvious' sources that have not been used in this work. Two demand particular comment. The first of these is the Land-Use Change Statistics (LUCS) collected by Ordnance Survey for Department for Communities and Local Government. For a long period, a combination of PAF and LUCS allowed the possibility of measuring particular types of change in the built environment and partitioning that which involved new construction (recorded against the

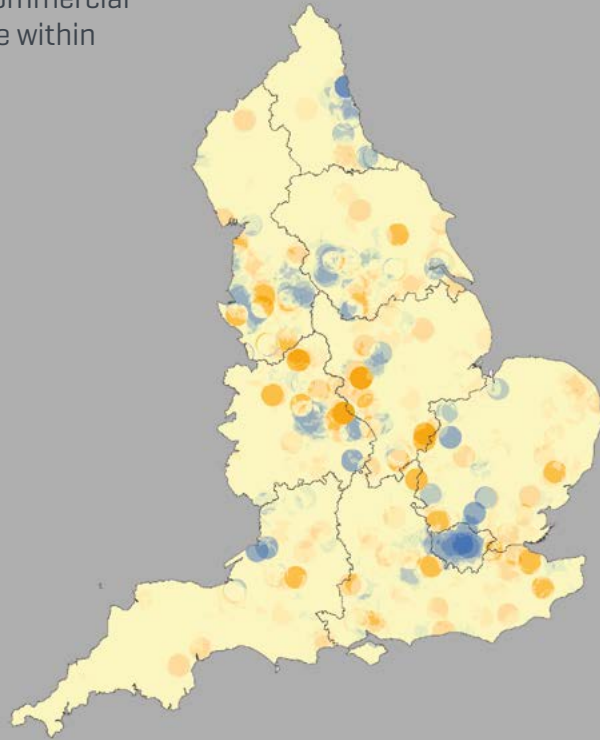
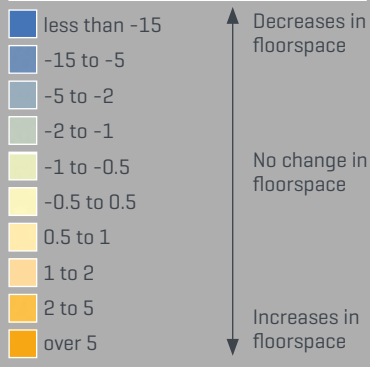
10m grid reference on LUCS) with that which did not (both being reflected in the changes shown on PAF). Change in the specification of LUCS and the frequency of update mean that such analyses cannot really be undertaken for the period after 2012. This was clear at project inception, but the intention had been to focus on the period between 2001 and 2013 relying on the combination of those two sources for much of this period (supported additionally by the rating list). Early analyses of the changing stock of hereditaments, however, pointed to a quite different pattern of relinquishment and replacement after 2010 from that which had characterised the previous decade (see Figures 4.2a and b). Moreover, shifting market conditions appeared to be prompting an increase in the pace at which B1 uses (and in particular office accommodation) were being changed to residential use in the period after 2010 – as confirmed by Table 4.1 below. It was not therefore practical to use LUCS, because they no longer allow a distinction to be made between new-build and conversion.

A second 'obvious' data source that was not deployed in this study is textual data relating to planning applications and consents on particular sites. In principle, this would allow for estimation of the entire volume of development occurring in various categories, and for the estimation of the volume of change realised under permitted development (or without any consent at all) by subtraction. Three different difficulties weigh against the use of planning permission data of this type in this study:

- First, while it is relatively easy to track permissions that have been granted, tracking implementation proves far more difficult.
- Second, this is compounded by a second related difficulty that arises from the frequency with which multiple concurrent planning consents apply to the same site, especially where the site is complex.
- Third, there is inherent complexity of the pertinent textual data. Even though a very large number of local planning authorities (LPAs) in fact use the same planning application processing software, they use it in different ways.

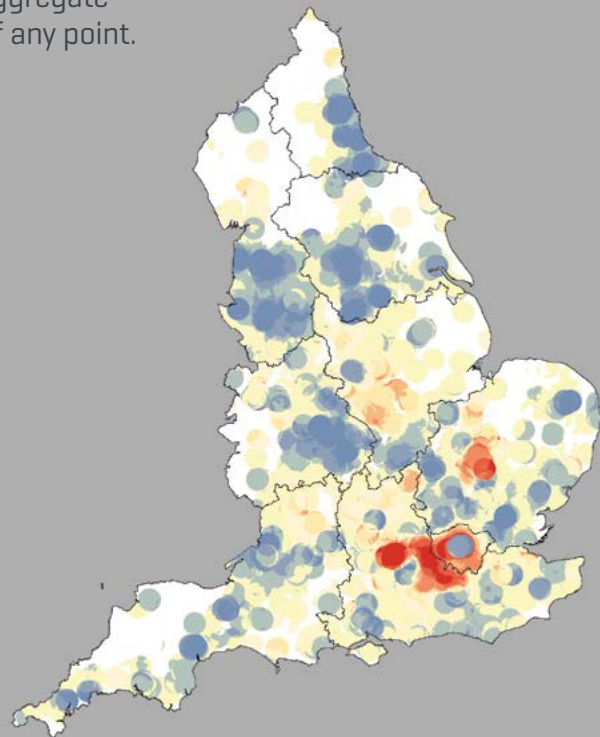
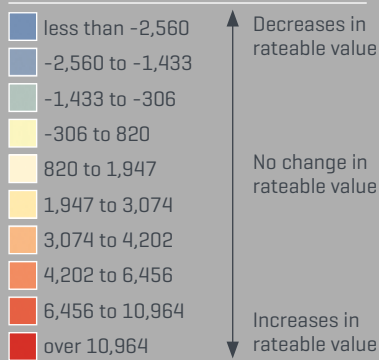
**Figure 4.2a** Change in aggregate commercial floorspace 2010-2017 per hectare

This map shows the average change in commercial floorspace [in square metres] per hectare within 10kms of any point.



**Figure 4.2b** Change in aggregate office RV 2010-2017 per hectare

This map shows the average change in aggregate office RV (£) per hectare within 10kms of any point.



## 4.3 Change from business to residential use

The expansion of permitted development rights has occurred in a context where rates of house building are historically low and where the changing organization of economic activity underlies a continuing tendency (evident in Figure 4.1) for numbers of non-residential units to fall relative to those in residential use. In these circumstances (as Figure 4.1 also shows), London continues to combine high levels of residential intensification with high overall rates of growth in the dwelling stock. In this context, one would expect that extension of permitted development rights would facilitate change from B1 (office and light industrial) uses to C3 (residential) use. Two complementary methods were used to try to identify such change from PAF, suited to two different types of circumstance:

- The first approach captures situations where various categories of non-residential use are relinquished in favour of residential use thereby generating locally significant change. Such situations include conversions of office blocks to residential use, but also include new residential enclaves created by demolition of non-residential property and construction of new dwellings, typically apartment blocks or residential towers. For present purposes these two types of change (through conversion and through demolition and subsequent redevelopment) must be distinguished.
- The second approach captures piecemeal conversion of small B1 units to dwellings.

These two approaches both rely on Royal Mail's administrative data but use them in different ways.

### 4.3.1 Change from business to residential use: substantial schemes

The development of new residential enclaves at points previously in business use implies the need for change in Royal Mail's delivery practices and this provides the key to their identification. The finest units defined by the postcode system are unit (or full) postcodes (e.g. NG1 5NT). Although unit postcodes typically refer to 16 properties, they might denote simply a single large non-residential user, or an isolated dwelling. When space is relinquished by large postal users, their postcodes fall out of use and one or more new unit postcodes are introduced. For example, the unit postcode NG1 5NT refers to a single building – the Study Inn, at Lawrence House in Clarendon Street in Nottingham, which is student accommodation converted from former office property. Specifically, this property was previously occupied by HMRC and entered from the adjoining street.

The first step in identifying new residential enclaves formally in B1 use was therefore to identify the new residential postcodes created since the beginning of 2010, by reference to the Office of National Statistics postcode directory (which shows for every unit postcode, the date when it came into use, and also the date when it ceased to be in use). In some cases – which must be identified and discounted – the creation of a new postcode indicates neither construction nor conversion of property. These cases occur where:

- a large non-residential user takes property over
- Royal Mail change the postcode denoting existing residential property as part of a wholesale 're-labelling'.

The second step is to find property where business use has been relinquished, achieved by:

- Identifying postcodes which had fallen out of use after 2009 – termed here 'deleted unit postcodes' by reference to the Office of National Statistics postcode directory (discounting deletions not due to substantive change).
- Identifying among those deleted unit postcodes property previously in B1 use by applying natural language processing to the names of buildings, sub-buildings and occupiers from PAF for 2010.

The third step is to identify new residential enclaves which might potentially correspond to deleted postcodes previously in business use by reference to their geographic location (allowing a tolerance of 250 metres between the centre of the area of lost business property and that of residential increase). This reveals more than 2,000 such enclaves (shown in Figure 4.3a), but not all this development has been realised using PD rights. These areas of locally significant residential intensification have been created variously by conversion of business space and through new residential construction, and include both units firmly within class C3 of the use classes order and forms of student accommodation outside that class. This set of areas of locally substantial residential intensification represent a major component of urban change in the period since 2010.

As the stock of non-residential addresses and aggregate office RV value have fallen across most of England, particular urban enclaves (shown on figure 4.3a) have been subject to locally significant change, with redevelopment or conversion of previously non-residential property to provide general residential or specialist student accommodation. The character of the largest schemes is indicated in Figure 4.3a (by colours other than green). Extension of PD rights to include B1 to C3 conversion has facilitated these broader trends. However, such conversion has not been the principal route to realizing locally significant change. In London, the tendency has been to create new general residential accommodation by new building – but with some conversions – while student accommodation has played a relatively small role.

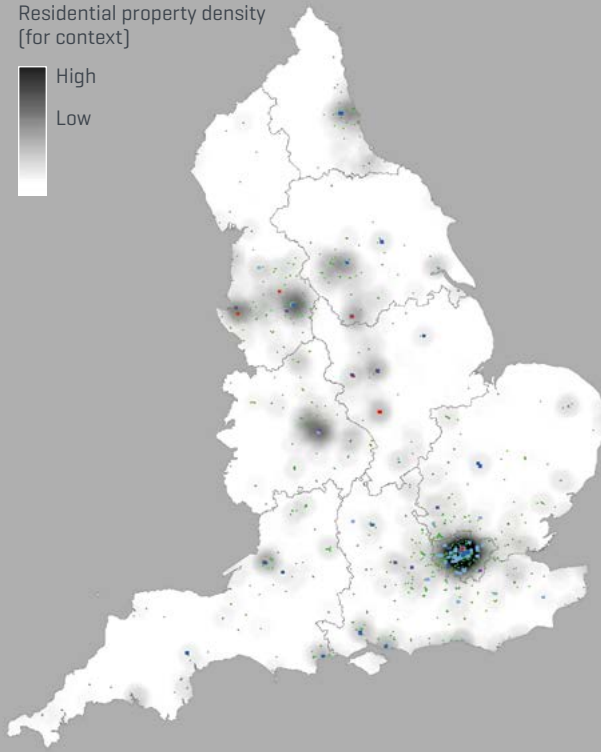
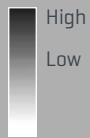
**Figure 4.3a**

**Change from B1 to C3 [large schemes] 2010-2017**

Change from B1 to C3 [large schemes] 2010-2017 and associated areas of locally significant change

- Conversion 80 or more [not students]
- Conversion 80 or more [students]
- New build 80 or more [non students]
- New build 80 or more [students]
- Other major sites

Residential property density [for context]

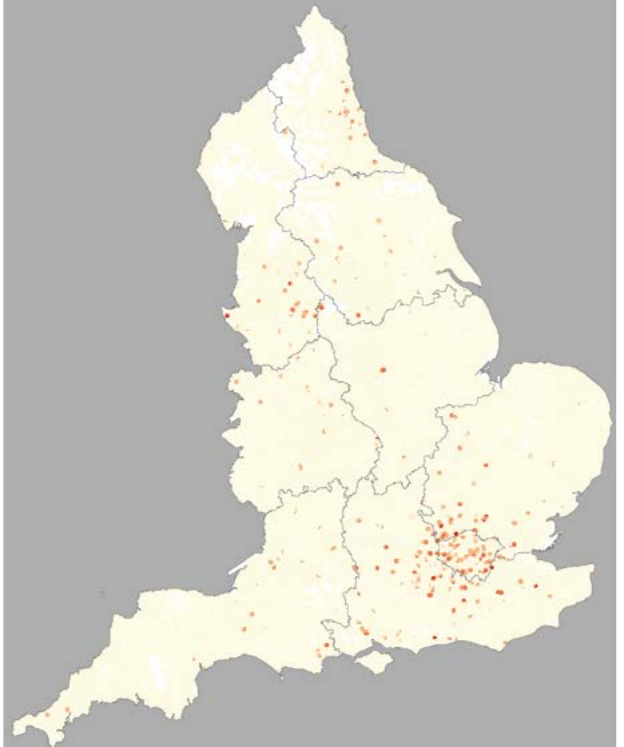


**Figure 4.3b**

**Change from B1 to C3 [large schemes] 2010-2017**

Relative to overall change in dwellings [2km moving average]

- Over 0.05
- 0.025 to 0.05
- 0.01 to 0.025
- Less than 0.01



Away from London, the new residential enclaves comprise primarily student accommodation created through redevelopment. In the South West, the largest schemes provide new-build student accommodation (in Bristol, Bath, Exeter and Bournemouth). In the South East, new-build redevelopment provided general residential accommodation in smaller towns. In Oxford and Cambridge, new building on formerly non-residential sites provided student accommodation. In the East Midlands, Derby, Nottingham and Lincoln saw new build student accommodation on sites formerly occupied by business property, while offices were converted to student accommodation in Leicester, Derby, and Nottingham. In Sheffield, areas formerly in B1 use were transformed to student accommodation both through conversion and new build, while in Leeds and York new student accommodation was built on such sites. Government offices in Bootle were converted to residential accommodation, while elsewhere in Merseyside, student accommodation was created through office conversion. In Manchester new residential accommodation was built after demolition of B1 property alongside conversion from B1 use, while in nearby Bolton, student accommodation was created through major B1 conversion.

The fourth step therefore was to identify the number of units converted from B1 to C3 use within these areas of locally significant change. In the absence of appropriate information from LUCS, distinguishing conversion from new build rested on clerical use of Google Maps and Google Street view. A sample of 300 of the mapped enclaves was examined, together with all those new residential buildings including more than 80 residential postal delivery points. With caution, the number of residential delivery points might be used as a proxy for the number of C3 dwelling houses (including flats) brought forward within the areas mapped on Figure 4.3a. On the narrowest possible definition and excluding all student accommodation (even self-contained flats), almost 17,000 units were created in these enclaves, of which it is estimated **that rather less than 8,000 resulted from B1 conversions.**

Table 4.1<sup>3</sup> provides estimates of the number of dwelling units added by conversion from B1 in substantial schemes on two different bases. Table 4.1a treats self-contained flats to which Royal Mail deliver letters separately (i.e. residential delivery points) as separate dwelling units potentially regarded as forming part of class C3, whether occupied by students or not. Table 4.1b, on the other hand, excludes all student accommodation. The distribution of the number of units through time is based on the time at which the new residential postcodes were brought into use by Royal Mail. These figures, together with the implied fees for full planning permission (having regard to the number of units and the absolute scale of the application) form the basis of the volume figures used in the cost benefit analysis (CBA) in Chapter 5.

Discounting student accommodation entirely, Figure 4.3a indicates that London takes a disproportionate share of office to residential conversions. However, this does not imply that a substantial proportion of the city's additional housing units have come from office conversions. Instead, a much larger contribution may come from demolition and subsequent new construction in areas of locally significant change, and other sources of additional housing including subdivision of existing dwellings. Large scale conversions may account for around 2% of units provided within the cores of towns such as Croydon, but as evident from Figure 4.3a, large-scale office conversions (other than those providing accommodation for students) are concentrated around London and the South East. Most medium sized cities lack substantial office to residential conversion schemes. In some regions such as the North East, there appear to have been no such schemes (although construction of new student accommodation has produced areas of locally significant change). For example, although there have been office block conversions in Nottingham which have made a substantial contribution to additional residential accommodation brought forward across the city in a broad sense, these have taken the form of student accommodation. Taken together, these circumstances provide a most striking indication of residential intensification and studentification. Government has facilitated these processes through liberalization of the PD regime and through the release of office property.

### 4.3.2 Change from business to residential use: small schemes

A complete estimate of the flow of business property into residential use must also take account of the more widely dispersed change of individual office units and business space (often itself in converted property) to residential use. This may be seen as part of a broader trend for non-residential units, particularly those outside the cores of major urban areas, to be converted to residential use, because it has a higher rental value than non-residential. The types of buildings that are being converted to residential use include secondary shopping, public houses and places of worship, in addition to office and business uses (which alone are the focus of current concern). The scale of the piecemeal conversion of individual units has been estimated by focusing on property in areas of substantial stability and specifically not subject to the type of change that prompts the need for reorganisation of postcodes. The first step in identifying potential conversions was to select by reference to the ONS postcode directory all unit postcodes in England which remained in use between 2010 and 2017 and secondly to identify those where the number of non-residential delivery points (i.e. properties for which Royal Mail hold an organisation name) fell over the period while the number of residential delivery points increased. After this, a rule-based approach was used to identify patterns of change potentially attributable to conversion at this scale.

<sup>3</sup> In order to avoid the attribution of spurious precision to the detailed figures relating to the exercise of PD rights presented in this and subsequent tables, we stress that such data have significant margins of error and that the data are simply our best estimates.

Table 4.1a

## Estimated flow of dwelling units through B1 conversions; England (large schemes) 2010-2017

Directly addressable student accommodation treated as C3; other student accommodation treated as sui generis									
Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	11	175	233	203	271	394	668	150	2105
East Midlands	107	68	242	504	333	227	1086	40	2607
London	109	222	372	678	485	636	1090	244	3836
North East	0	0	0	0	0	0	0	0	0
North West	88	152	146	193	307	460	426	162	1934
South East	28	87	119	111	122	235	423	47	1172
South West	65	101	165	69	47	311	362	19	1139
West Midlands	146	165	116	103	177	156	640	66	1569
Yorkshire & Humber	87	62	94	120	79	366	735	9	1552
<b>England*</b>	<b>548</b>	<b>1021</b>	<b>1568</b>	<b>2195</b>	<b>1951</b>	<b>2937</b>	<b>5195</b>	<b>890</b>	<b>16305</b>

\* Divergence of national estimate of large scale B1 to C3 change from sum of regional totals results from sampling error in estimation of contribution of conversion relative to demolition and rebuild.

Table 4.1b

## Estimated flow of dwelling units through B1 conversions; England (large schemes) 2010-2017

All student accommodation treated as sui generis									
Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	11	175	233	203	271	394	668	150	2105
East Midlands	0	0	0	0	0	0	0	0	0
London	87	177	296	541	386	507	869	194	3057
North East	0	0	0	0	0	0	0	0	0
North West	59	101	97	128	205	306	284	108	1288
South East	28	87	119	111	122	235	423	47	1172
South West	14	21	35	15	10	66	77	4	242
West Midlands	106	120	85	75	129	114	465	48	1142
Yorkshire & Humber	0	0	0	0	0	0	0	0	0
<b>England*</b>	<b>266</b>	<b>496</b>	<b>762</b>	<b>1067</b>	<b>948</b>	<b>1428</b>	<b>2525</b>	<b>433</b>	<b>7925</b>

\* Divergence of national estimate of large scale B1 to C3 change from sum of regional totals results from sampling error in estimation of contribution of conversion relative to demolition and rebuild.

**Table 4.2** Estimated flow of dwelling units through B1 conversions; England (small schemes) 2010-2017

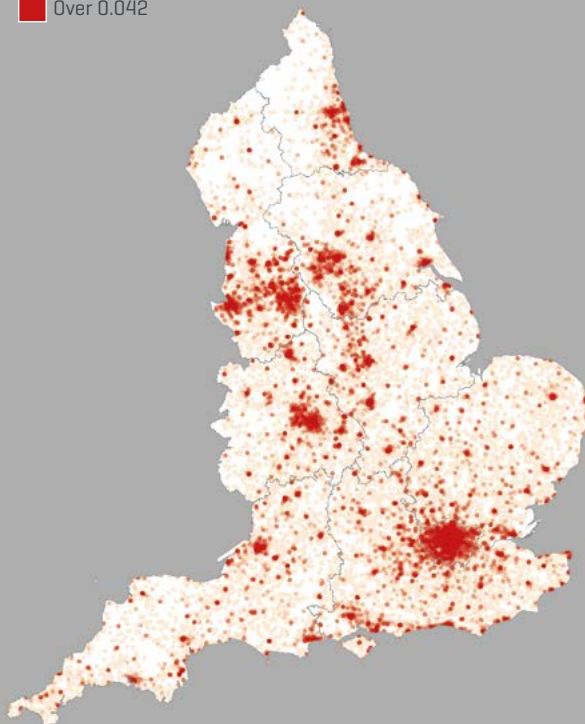
Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	310	310	303	283	613	612	950	1334	4715
East Midlands	248	248	246	238	493	494	793	1116	3876
London	511	511	495	448	957	980	1467	2021	7390
North East	137	137	133	123	268	267	454	651	2170
North West	426	426	415	385	810	837	1359	1902	6559
South East	510	510	495	450	950	985	1482	2034	7415
South West	367	367	359	335	684	706	1067	1464	5348
West Midlands	289	289	284	271	558	567	944	1334	4535
Yorkshire & Humber	337	337	327	297	643	651	1019	1425	5037
<b>England</b>	<b>3134</b>	<b>3134</b>	<b>3058</b>	<b>2831</b>	<b>5978</b>	<b>6098</b>	<b>9533</b>	<b>13278</b>	<b>47044</b>

**Figure 4.4a**

**Change from B1 to C3 (small schemes) 2010-2017**

Additional dwellings per ha  
[2km moving average]

- less than 0.005
- 0.005 to 0.010
- 0.010 to 0.021
- 0.021 to 0.042
- Over 0.042



**Figure 4.4b**

**Change from B1 to C3 (small schemes) 2010-2017**

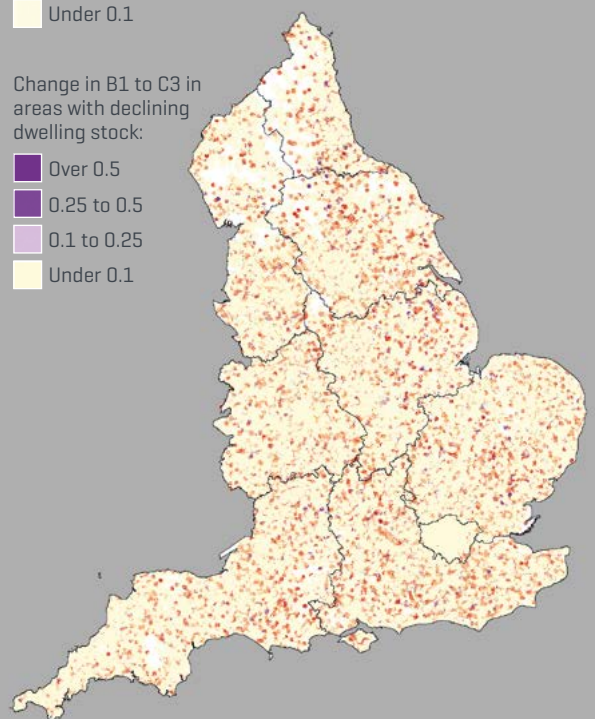
Percentage of overall change in dwelling stock  
[2km moving average]

Change in B1 to C3:

- Over 0.5
- 0.25 to 0.5
- 0.1 to 0.25
- Under 0.1

Change in B1 to C3 in areas with declining dwelling stock:

- Over 0.5
- 0.25 to 0.5
- 0.1 to 0.25
- Under 0.1



Change from B1 to C3 in the schemes considered is always greater than 0. It will offset decline in localities where the dwelling stock is shrinking [to the extent shown on the purple scale].



To be considered potentially attributable to conversion from non-residential to residential use, the respective numbers of non-residential and residential units referenced by the unit postcode must be such that:

- there must be a positive net change in the number of residential units and a negative net change in the number of non-residential units
- the increase in residential units must not exceed four times the loss of non-residential units
- the increase in residential units must be at least 30% of the loss of non-residential units
- there must be no more than five net residential units created.

From this set of candidate postcodes, the next step is to identify by reference to all the associated addresses and occupier names where the disappearing non-residential occupiers are likely to be in class B1 (in a manner exactly similar to that applied in dealing with the larger former non-residential occupiers discussed above). In these circumstances no account need be taken of the possibility of conversion to student accommodation. Again, the final step was to consider the proportion of these changes attributable to conversion, rather than to demolition and new construction.

Table 4.2 provides estimates of the number of dwelling units added by conversion from B1 in small schemes. The distribution of the number of units across the regions is robust (as it is constructed from changes identified at unit postcode level), though the distribution through time is less robust than that shown in Table 4.1. These figures, together with the implied fees for full planning permission (at the standard rate of £385 per dwelling, given the small scale of all the associated applications) form the basis of the volume figures used in Chapter 5.

### 4.3.3 Change from business to residential use: discussion

It proves broadly feasible to estimate the volume of new residential accommodation being generated through conversion of property previously in B1 use. Overall, such conversions (both large schemes and small) would appear to account for 55,000 houses (over eight full years) or rather less than 4% of the entire growth of England's dwelling stock.

The major uncertainty in assessing the scale of office block conversion lies in partitioning the new accommodation created between the C3 dwellinghouse class and *sui generis* student accommodation; that is, in judging the policy status of the activity rather than its intrinsically residential character. These large-scale conversion schemes constitute areas of locally significant change, overwhelmingly concentrated near the cores of major urban areas.

Although the areas of locally significant change discussed above provide the clearest indication of how increased PD rights may have facilitated residential intensification, a rather larger volume of B1 conversion appears to be broadly distributed through cities and towns in small schemes (largely in locations where property values are relatively low) as evident in Figure 4.4b. However, while no marked regional patterning is evident, it is clear that such smaller conversions provide gross additions to the housing stock in areas (such as parts of the Durham coalfield) where there has been a net fall in dwellings since 2010.

## 4.4 Permitted change to residential use in agricultural contexts

The liberalisation of the permitted development regime has followed and extended a shift in policy from one deliberately seeking to secure non-residential uses for agricultural conversions, to one which far more readily accommodates residential after-use.

### 4.4.1 Estimation

The approach to identifying potential conversions of farm buildings to residential use depends once again on identifying contexts where additional delivery points are recorded by Royal Mail and assigned existing unit postcodes. The definition of geographic contexts is crucial in this case. The method depends firstly on assigning every hectare of England to one of ten categories reflecting its settlement morphology, derived from work by Bibby and Brindley (2013) for a consortium of government agencies led by Defra. A particular problem of statistical geography is that the density of the phenomenon depends on the spatial scale at which it is measured. The rule-based approach deployed here turns that to advantage by associating particular types of settlement (urban areas with a population of 10,000 or more, rural towns, a narrow urban fringe, a much broader peri-urban zone, villages, hamlets and isolated farmsteads) with different density profiles (Bibby and Brindley 2013).

Use of this morphological classification is a helpful step in providing a proxy for agricultural holdings. A residual morphological class includes not only mountain, moorland, heath and down but also other tracts away from settlement, including modern large-scale arable farms and farms in landscapes of parliamentary enclosure. This residual category together with the traditional dispersed settlement components (hamlets and isolated farms) provides an indication of farm holdings. There are, however, many isolated dwellings as opposed to farmsteads (recognisable by name) within this residual that are not part of an agricultural holding. Work for Natural England (Bibby and Brindley, 2009) designed to understand aspects of the

relationship between land use, land cover and receipt of agricultural-related support by occupiers of farm holdings led to the identification within the residual of an 'extensive housing and grazing zone' including such property. In the present work, property located in this zone (much of which forms part of the residual morphological class) has been excluded from the area used as a proxy for agricultural holdings.

Having identified the area within which conversions on agricultural holdings might potentially be found, the final step is to estimate that portion of additional postal units attributable to the conversion of buildings already in the landscape, rather than attributable to new construction; that is, those which, prior to residential occupation, were not registered as postal addresses.

This assessment may be validated by comparing the results with the extent of this type of development suggested by the evidence of property names added to PAF. Many dwellings on agricultural holdings bear names such as 'X Cottage', or suggest land parcels (such as 'Y Croft'). Such names provide no clue as to whether or not the property is newly constructed. Naming practices sometimes provide a hint of conversion, however. Over the period from 2010 to 2017, a further 6,752 properties added to PAF were styled 'X Barn', while the names of 12,885 units added over that period included one of a set of 23 denominatives purporting conversion (of which the most frequently occurring were 'Barn', 'Barns', 'Stables', 'Granary', 'Maltings' and 'Dairy'). The stock of property on PAF with names bearing such denominatives grew at 2.8% per annum over this period, which is much greater than the overall increase in the residential stock across England.

Table 4.3 provides estimates of the number of dwelling units added by conversion of agricultural buildings to residential use. The distribution of the number of units across the regions is robust (as it is constructed from changes identified at unit postcode level), though the distribution through time is less robust than that shown in Table 4.1. These figures, together with the implied fees for full planning permission (at the standard rate of £385 per dwelling, given the small scale of all the associated applications) form the basis of the volume figures used in Chapter 5.

#### 4.4.2 Permitted change to residential use in agricultural contexts: discussion

Identifying additional dwellings coming forward within the area given over to agriculture seems straightforward, but determining which of the flow of additional dwellings arises from new construction, and which from conversions of buildings already within the landscape is more difficult. This difficulty is compounded by relatively limited coverage of agricultural contexts by Google Street View which hinders effective sampling of dwellings newly added to PAF.

Although the proportion of additional dwellings estimated to be attributable to conversion of agricultural buildings is high, this is not inconsistent with work for the period between 2001 and 2011 (using PAF and LUCS together) highlighting the small contribution that new construction in areas of dispersed settlement makes to the overall increase in the number of dwellings (Bibby, 2016). The geographical variation in the contribution of such conversion does not seem to result from current economic conditions. Table 4.3 suggests a relation to the historic significance of dispersed settlement evident even at the regional scale (most markedly in the disproportionate flow of units in the South West) (cf. Roberts and Wrathmell, 2000; Bibby, 2016). Figure 4.5a also reflects the relation of the flow of agricultural conversions to the historic pattern of dispersed rural settlement. Figure 4.5b, which expresses the flow of additional units from such conversions relative to the overall increase in the dwelling stock, suggests even more strongly its substantive significance in areas remote from principal centres of population.

It appears that more liberal PD rights have facilitated a continuing trend of agricultural to residential conversion, which has run alongside the long term decline in agricultural land use and the creation of localities given over to retirement and holiday accommodation. Moreover, this relaxation of controls further contributes to the apparent tendency for new dwellings to appear as if from nowhere in many rural areas through a combination of piecemeal extension and subdivision of residential property (supported by confirmation of established use rights), and the construction of 'agricultural' property, which subsequently may be converted to use as dwellings or holiday accommodation (see Bibby, 2014).

**Table 4.3**

**Estimated flow of dwelling units through conversions in agricultural holdings, England; 2010-2017**

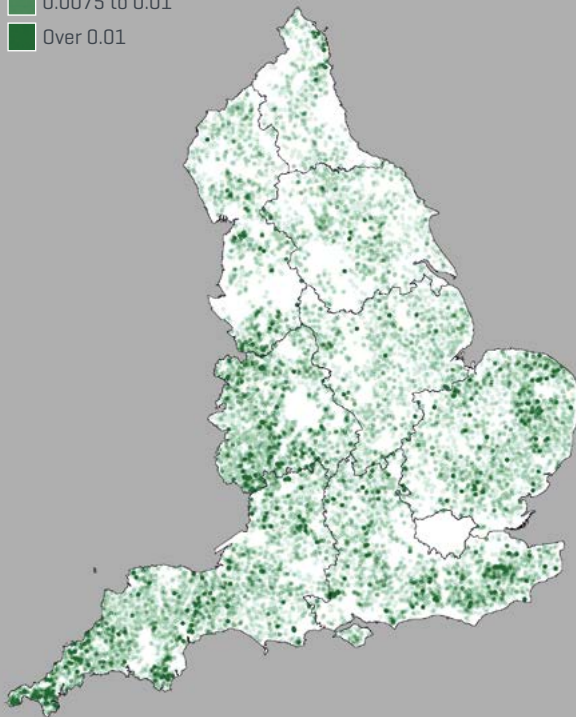
Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	576	576	549	467	788	853	648	619	5077
East Midlands	297	297	285	249	411	441	374	388	2741
London	2	2	2	1	2	2	2	2	15
North East	119	119	113	95	158	173	109	85	971
North West	278	278	267	234	405	415	300	291	2468
South East	540	540	519	457	787	861	737	764	5205
South West	1007	1007	954	795	1354	1493	1042	910	8563
West Midlands	536	536	508	425	710	775	560	509	4558
Yorkshire & Humber	233	233	225	200	323	348	272	264	2097
<b>England</b>	<b>3588</b>	<b>3588</b>	<b>3422</b>	<b>2923</b>	<b>4939</b>	<b>5362</b>	<b>4043</b>	<b>3832</b>	<b>31696</b>

**Figure 4.5a**

**Conversion to C3 in agricultural contexts 2010-2017**

Additional dwellings per ha  
[2km moving average]

- less than 0.002
- 0.002 to 0.005
- 0.005 to 0.0075
- 0.0075 to 0.01
- Over 0.01



**Figure 4.5b**

**Conversion to C3 in agricultural contexts 2010-2017**

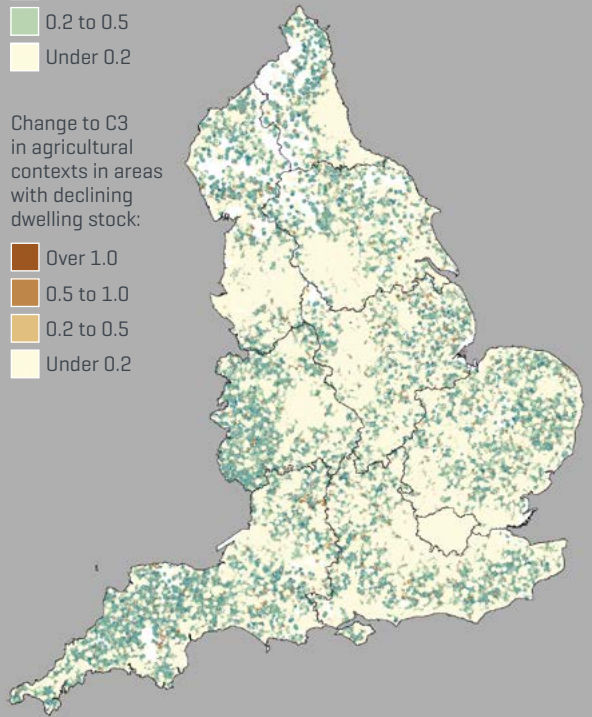
Percentage of overall change in dwelling stock  
[2km moving average]

Conversion to C3 in agricultural contexts:

- Over 1.0
- 0.5 to 1.0
- 0.2 to 0.5
- Under 0.2

Change to C3 in agricultural contexts in areas with declining dwelling stock:

- Over 1.0
- 0.5 to 1.0
- 0.2 to 0.5
- Under 0.2



The number of new residential units in the schemes considered always exceeds 0. It will offset decline in localities where the dwelling stock is shrinking [to the extent shown on the brown scale].

## 4.5 Permitted development in non-residential contexts

In this section two components of additional non-residential floorspace are considered corresponding firstly to the operations limb and secondly to the change of use limb of the definition of development within Section 55(1) of the 1990 Town & Country Planning Act.

### 4.5.1 Permitted development in non-residential contexts: operations

In contrast to development within the curtilage of a dwellinghouse, which is invisible to the sources used in this study, less familiar forms of permitted development involving extension of industrial or commercial premises, or change of use, are in principle picked up by the VOA. Here we distinguish continuing hereditaments (identified by having a continuing unique reference assigned by the VOA's UARN code) from new entries to the rating list and deletions from it. Once assigned a unique identifier by the VOA, change of use (class) of a property seems extremely unusual and so, in the case of continuant users, the principal form of PD recognisable is extensions to buildings or erection of additional buildings within the site curtilage. In most continuing cases the VOA make the area of each hereditament available for both 2010 and 2017. Making a series of assumptions (including those concerned with spatial policy context), conformity with PD can be gauged from the change in measured area. The first component of the additional floorspace shown in Table 4.4 is that portion of the increase in floorspace of occupiers present both 2010 and 2017 that falls within PD limits. This accounts for rather less than two-fifths of the net continuant expansion. This change is predominantly within use class B1.

### 4.5.2 Categories of non-residential development: change between non-residential uses

There must be some doubt in the case of continuing non-residential users that occupy more space, whether increases might include (alongside physical works), gains achieved by expanding into adjoining built space previously occupied by others. Given that VOA continuants (as defined) do not show change of use, development in the form of change of use is recognised only where insertions and deletions of commensurate size are found on the same 'patch'. In the case of change between different non-residential uses, size is estimated from the area measures on the successive rating lists. The second component of the flow of additional floorspace, indicated in Table 4.4 shows the estimated area changing between non-residential uses between 2010 and 2017 which would have been allowed under permitted development. Use classes have been assigned on the basis of the VOA's SCAT code (which classifies the facility assessed) supplemented by the natural language evidence of the business name and address details.

Table 4.4 provides estimates of the area of floorspace added to existing non-residential units (whether based on the development 'operations'; component one discussed above, or the occupation of floorspace previously subject to another use; component two discussed above). The distribution of the number of units across the regions is robust (as it is constructed from changes identified at rateable hereditament level and located geographically by the unit postcode assigned to the hereditament by the VOA). Figures for individual years are presented in Table 4.4 for consistency with other categories of PD discussed, but the measures of area of individual hereditaments on which the table is based refer to only two points in time (rating lists for 2010 and for January 2017). The figures in Table 4.4 are therefore presented on the assumption that the flow of additional floorspace was homogenous through time. The total shown for each region represents 8/7 of the sum of the measured increase between the two rating lists (to capture the full year effect). One eighth of this estimated regional total has been assigned to each calendar year. These figures, together with the implied fees for full planning permission (having regard to the area of floorspace associated with each change) form the basis of the volume figures used in Chapter 5.

### 4.5.3 Categories of non-residential permitted development: discussion

This section has attempted to assess the order of magnitude of various categories of non-residential development which might be undertaken with the benefit of PD rights, the results being set out in Table 4.4. Figure 4.6a shows how the quantum of non-residential development achieved using PD rights within 2km of any point varied across England. Unsurprisingly, the pattern of variation tends to reflect not regional differences, but the distribution of major urban settlements. It is those areas with the greatest endowments of industrial and commercial property which have utilised non-residential PD rights the most. The increases achieved with the benefit of PD rights, however, have no simple relation to the overall pattern of net change in non-residential floorspace. This is clear on the basis of Figure 4.6b, which maps change in non residential floorspace attributable to PD as a percentage of overall net change. In principle, PD rights might allow a substantial net expansion of the stock of commercial floorspace, but this does not appear to have been happening. Where particular occupiers have been able to expand with the benefit of PD rights (highlighted in Figure 4.6b), this has made a substantial contribution to mitigating overall losses in commercial floorspace. By contrast, absolute volumes of development attributable to PD (Figure 4.6a) tend to be very modest in locations where there is a positive net increase in commercial floorspace overall (highlighted in red on Figure 4.6b). Development through PD rights thus appears to have accommodated new uses in a context of static aggregate commercial floorspace, as evident in Tyneside (cf. Figure 4.6a and b). Moreover, the stock of

**Table 4.4**

**Estimated flow of additional non-residential floorspace from change of use, construction of extensions and ancillary buildings; England; 2010-2017 ('000 M<sup>2</sup>)**

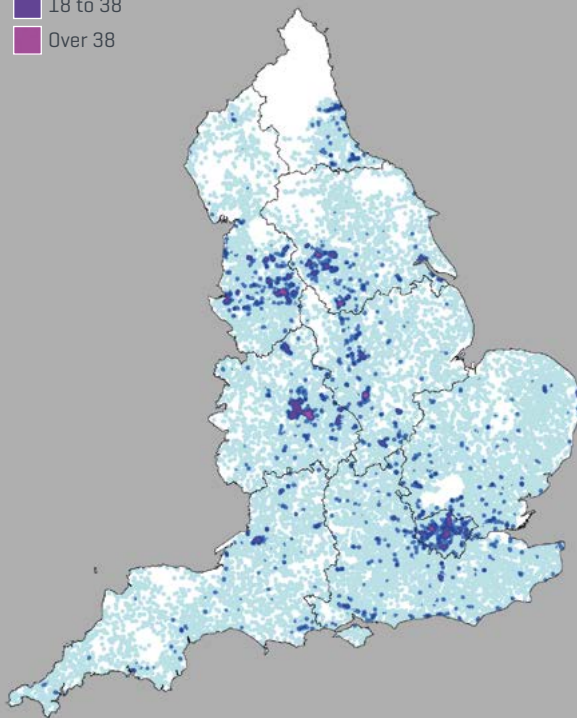
Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	205	205	205	205	205	205	205	205	1637
East Midlands	195	195	195	195	195	195	195	195	1558
London	164	164	164	164	164	164	164	164	1313
North East	56	56	56	56	56	56	56	56	445
North West	246	246	246	246	246	246	246	246	1971
South East	264	264	264	264	264	264	264	264	2111
South West	173	173	173	173	173	173	173	173	1387
West Midlands	251	251	251	251	251	251	251	251	2012
Yorkshire & Humber	213	213	213	213	213	213	213	213	1704
<b>England</b>	<b>1767</b>	<b>1767</b>	<b>1767</b>	<b>1767</b>	<b>1767</b>	<b>1767</b>	<b>1767</b>	<b>1767</b>	<b>14138</b>

**Figure 4.6a**

**Floorspace associated with non residential PD 2010-2017**

Square metres per ha  
[2km moving average]

- Under 3
- 3 to 8
- 8 to 18
- 18 to 38
- Over 38

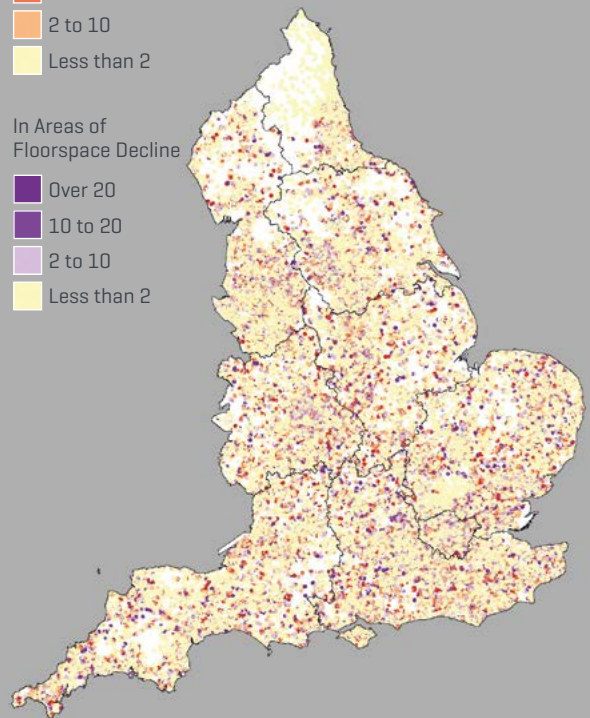


**Figure 4.6b**

**Floorspace associated with non residential PD 201-2017**

Percentage of the total change in floorspace  
[2km moving average]

- In Areas of Floorspace Growth**
- Over 20
- 10 to 20
- 2 to 10
- Less than 2
- In Areas of Floorspace Decline**
- Over 20
- 10 to 20
- 2 to 10
- Less than 2



Increase in floorspace in the schemes achieved through PD is always greater than 0. It will offset decline in localities where aggregate commercial floorspace is shrinking [to the extent shown on the purple scale]

industrial and commercial floorspace tends to be shrinking in those areas where the gross additional floorspace secured for particular operations through PD rights seems particularly large. The clearest examples are places such as Bristol, Leicester, West Yorkshire and the West Midlands conurbation, typically marked by purple tones in Figure 4.6b). Increased PD rights may have thus facilitated sustaining commercial activity in existing business in a context of stasis or decline.

## 4.6 Assessing the scale of development realised under permitted development: conclusions

This chapter has attempted to assess the overall scale of various categories of development which may be undertaken with the benefit of PD rights. The volume of activity associated with each category of development has been estimated together with the associated loss of fee income. These data inform the analysis (in Chapter 5) of the financial differences between allowing development at its customary scale to proceed under PD rights, and allowing that same volume of development through granting full planning permission. Although it does not prove possible to consider development within the curtilage of a dwelling house (even in the case of large extensions or residential annexes), this section has provided estimates for the volume of activity taking place in each of the English regions – and for England as a whole – since 2010 for each of the following categories of activity:

- The conversion of commercial buildings including offices to residential use (producing between 7,925 and 16,305 dwelling units from large conversions, depending on whether or not student accommodation is included; and 47,044 dwelling units from small conversions).
- The conversion of agricultural buildings to residential use (producing 31,696 dwelling units).
- The extension of industrial and commercial buildings, construction of new ancillary buildings within their curtilages and on their sites; and changes between different industrial and commercial uses (involving 14,138,000 m<sup>2</sup> of floorspace).

It is difficult to form authoritative estimates of the quantities of development falling into the various categories, particularly in the absence of a data source which might allow for easy partitioning of change between forms which involve new construction and those which do not. However, it appears that the extension of PD rights has facilitated long term trends in change of use, such as the gradual decline of the stock of business property alongside the expansion of the dwelling stock; and the conversion and subdivision of agricultural buildings to create new dwellings and holiday accommodation. The extension of PD rights evidently also serves to facilitate the conversion of office blocks to residential accommodation. However, when compared to other property development trends, such as change in non-residential floorspace or the aggregate flow of additional dwellings generated by new construction at a small scale, the extent of this activity at national level is comparatively small.

The extension of PD rights on farm holdings appears to support and legitimise a long standing tendency to develop additional dwellings in rural areas to be brought forward through conversion of farm buildings of varying vintage at a scale which (in the broader countryside) may equal or typically exceed that due to new construction in those same localities.



## 5.0 Estimating the direct costs and benefits of permitted development

### 5.1 Cost benefit analysis

Cost benefit analysis (CBA) is a tool used in many areas of social and economic policy and is one of the most comprehensive and theoretically sound forms of economic evaluation (Robinson, 1993). At its most basic, CBA lists and quantifies in monetary terms all the costs and benefits associated with (new or existing) projects or regulatory interventions. It has been argued that there is no problem – public or personal – to which CBA cannot be applied (Layard and Glaister, 1994). However, CBA is used most widely to assist in public sector decision making involving large infrastructural projects (Boardman et al 1994). Keating and Keating (2014) argue that CBA can be used in decisions involving ‘infrastructure in government buildings, roads, public housing, sewage, and water treatment as well as for programs dealing with public safety, education, health, leisure, welfare reform, employment, and child protection’ (Keating and Keating, 2014, p. 5).

There are a number of benefits that the CBA process can bring to a project. First, by expressing all costs and benefits in monetary terms, CBA can allow projects and programmes to be directly comparable with one another and comparable with a baseline ‘do nothing’ approach. Second, CBA is often also seen as being a ‘neutral’ methodology, with less opportunity for the manipulation of figures than its main competitor, multi-criteria analysis (MCA; in which criteria are weighted according to various characteristics making it subject to the values of analysts). While CBA is not (and cannot be) entirely value-free, it is largely the academic consensus that it is more value-free than MCA (Hayashi and Morisugi, 2000). Third, CBA can compare the costs and benefits that occur at different points in time. The costs of any project are usually incurred at the beginning of any project, with the benefits occurring over an extended time period (Harrison, 2010). CBA can include a ‘discount rate’ that converts these time differentials into figures that can be compared at the present time. This involves ‘factoring down’ costs and benefits according to when they occur (Harrison, 2010).

There are limitations to any CBA methodology and some of these limitations are unavoidable. First, any two calculations, performed by different analysts, are unlikely to be identical, as ‘CBA is both art and science’ (Keating and Keating, 2014:12). However, different studies will

generally confirm either net benefits or net costs to any one project. Second, the calculation of the figures used within CBA may be subject to error and may include forecasting errors, measurement errors, omission errors, or valuation errors associated with the difficulties in assessing accurate figures. Valuation techniques are not perfect and can be loaded with assumptions. Some errors may arise due to strategic self-interest (for example in project managers over-estimating the benefits associated with a project requiring approval) or through bureaucratic ‘lenses’ in which managers assess different impacts as being either a cost or a benefit, or ignoring certain issues altogether (Boardman et al. 1994). Third, CBA can lead to an over-reliance on quantitative data. In practice, CBA rarely gives adequate recognition to qualitative factors such as quality of life or social equity (Institute of Public Care, 2011). However, because we are estimating the financial implications of permitted development, this is not a major issue<sup>4</sup>.

The effectiveness of any CBA depends on the quality of the monetary valuations that are used. These values can be difficult to obtain because certain features (such as the impact of office developments on local traffic flows) are not usually expressed in financial terms. Ideally valuations will be based on observed market values. For this project, we use a form of benefit transfer to obtain the figures. Benefit transfer involves the adaptation of information from other valuation studies. This approach is a cost-effective way of undertaking an appraisal. However, it is only as good as the initial studies from which the values are taken. Some valuations are often context and time-specific and care needs to be taken when adapting them to different projects.

#### 5.1.1 The stages of cost benefit analysis

The baseline within CBA for comparison between projects is the default option of doing nothing. Indeed, rudimentary CBA is essentially a ‘with project/without project’ comparison (Keating and Keating, 2014). For the purposes of this study the baseline will be an estimation of the costs and benefits to the LPA of the development if it had proceeded under formal planning permission. Further, while CBA is usually employed on an *ex ante* (or before) basis, the nature of this study will require an *ex post* (or after) analysis. The identification, quantification and monetisation of impacts arising due to permitted development rights will allow for an examination of what

<sup>4</sup> See Clifford et al [2018] for a qualitative analysis of the impact of PD.

has changed as a result of the PD regulations (CIS, 2011), or what costs may have been incurred if PD had existed in the same form throughout the study period.

The European Commission, through the EVA-TREN project, has sought to improve CBA as a methodology in infrastructural concerns and has outlined best practice guidance for *ex post* assessments (Florio and Sartori, 2010). The EVA-TREN guidelines recommend four general steps to any CBA project.

- 1) Identify what is to be assessed.** This involves a clear definition of what is to be evaluated, the nature of the issues and risks associated with the CBA methodology, and the nature of the baseline 'do nothing' scenario.
- 2) Measure the outcomes of the project.** Establish what would have happened if the project did not occur – in this case the nature of the costs and benefits of the developments that would have resulted if PD rights had not been extended – as opposed to the outcomes that did occur.
- 3) Comparison of the *ex post* evaluation with the expected project outputs.** Assess the differences between the expected outcomes and the actual outcomes and consider what caused the differences.
- 4) Classify the results and assess the causes of success or failure.**

### 5.1.2 The values chosen for the cost benefit analysis

As was discussed in Chapter 3, the extension of PD rights has few implications for the funding of most types of infrastructure or for income derived from property taxes. There are, however, a number of areas in which PD rights do have an impact, as identified in Chapter 3. For the purposes of this cost benefit analysis they are grouped into three broad areas:

- Financial savings through a reduction in staff time spent dealing with planning applications.
- A reduction in planning application fees received from developers.
- A loss of affordable housing contributions (either through direct financial payments to LPAs or through in-kind obligations).

The methodology used to estimate the potential value of these costs and benefits is as follows. Because the financial flows span several years (between 2010 and 2017) it is important to reduce the figures to a single measure to allow comparison. For all of the valuations described below, the current values were adjusted for inflation using the Retail Price Index (RPI) to express them in constant 2010 prices<sup>5</sup>. Next, the UK Treasury's discount rate of 3.5% was applied to each year's financial flow to express

**Table 5.1**

**Estimation of planning fees foregone in the North East region, for small B1 to C3 conversions covered by PD rights since 2010**

	Year	Number of units	Value in current prices	RPI	Value in constant 2010 prices	3.50%	NPV in 2010
2010	1	136	£52,702.00	223.60	£52,702.00	1	£52,702.00
2011	2	136	£52,702.00	235.20	£52,102.75	0.96618	£48,408.46
2012	3	133	£51,380.00	242.70	£47,336.50	0.93351	£44,189.13
2013	4	123	£47,415.00	250.10	£42,391.02	0.90194	£38,234.27
2014	5	267	£103,168.00	256.00	£90,110.80	0.87144	£78,526.36
2015	6	266	£102,602.00	258.50	£88,749.74	0.84197	£74,724.90
2016	7	454	£174,866.00	223.10	£148,612.84	0.8135	£120,896.64
2017	8	650	£250,546.00	272.80	£205,359.55	0.78599	£161,410.75
<b>Total</b>							<b>£619,092.50</b>

<sup>5</sup> For the 2017 valuations, the Office for Budget Responsibility has estimated an annual RPI of 3.7% [HM Treasury, 2017].



its value in 2010 (that is, its NPV in that year). These calculations were conducted for each of the nine regions in England. An example of how this was done for planning fees within the North East region for small B1 to C3 conversions is shown in Table 5.1.<sup>6</sup>

The most significant extensions to PD rights were made in 2013 and 2014 – prior approval for office to residential and non-residential to non-residential conversions was introduced in May 2013, while conversions of agricultural buildings to residential units were covered from April 2014. Their recent introduction means that there has been very little time for the changes to ‘bed in’, particularly if allowance is made for the initially gradual take-up of the new rights. Consequently, we estimate the financial impact of the new PD rights through two scenarios. In Scenario 1, it is assumed that the PD rights currently in existence are applied to all qualifying development that occurred between 2010 and 2017. The costs and benefits that would have arisen – in comparison to the same developments not enjoying PD rights – are estimated. This will give an indication of the potential impact of the new PD rights over the medium term.

In Scenario 2, an estimate is made of the actual financial impact of the extension of PD rights by considering only the qualifying development that occurred from the relevant dates. Where the calculations involve only part of a year (2013 for office to residential and non-residential to non-residential conversions and 2014 for agricultural to residential conversions) it is assumed that the developments proceeded evenly during the year. For example, if there were 1,200 developments in 2013, we can assume that there were 100 developments in January, 100 in February and so on. This will inevitably introduce

some errors into the calculations because development is not evenly spread throughout the year. However, allowance is made for the PD changes occurring in May 2013 and April 2014.

## 5.2 Planning officer time

One possible benefit arising from the extension of PD rights is a reduction in the number of hours staff work on planning applications. In 2015 the Local Government Association’s Planning Advisory Service (PAS) published a report offering a benchmark framework for how planning departments dealt with planning applications. It broke down staff costs and the time needed to handle applications, compliance monitoring and enforcement. The research was one of ‘the most comprehensive planning benchmark exercises ever’, allowing the data to be representative of the national picture (Planning Advisory Service 2015, p.18).

The PAS found that the average LPA in England spent around £1.45m on planning staff each year, with just over 35 staff spending 67,981 hours on planning matters. Of this, an average of 34,687 hours (or £717,000) was spent directly dealing with planning applications (Planning Advisory Service, 2015). It has been assumed that the extension of PD would free up planning officers to deal with other matters. Indeed, the PAS argues that on average just 279 staff hours are spent dealing with PDs each year (costing around £10,000). However it is not clear from the report how much time it can take to process prior approval applications. As part of the prior approval process, officers still need to undertake some form of consultation. The PAS argue that 1,491 staff hours are

**Table 5.2a**

**Scenario 1: estimates of the value of potential reductions in officer time (NPV 2010)**

	2010	2011	2012	2013	2014	2015	2016	2017	Total
<b>Lower estimation</b>	£2,859,000.00	£2,626,082.03	£2,458,869.49	£2,305,426.14	£2,176,128.77	£2,082,205.83	£1,976,619.19	£1,841,870.70	<b>£18,326,202.15</b>
<b>Central estimation</b>	£4,288,000.00	£4,076,517.01	£3,950,543.06	£3,833,653.74	£3,745,300.00	£3,709,078.53	£3,644,229.57	£3,514,651.03	<b>£30,761,972.93</b>
<b>Upper estimation</b>	£5,718,000.00	£5,435,989.80	£5,268,004.94	£5,112,134.35	£4,994,315.63	£4,946,014.70	£4,859,539.34	£4,686,747.80	<b>£41,020,746.55</b>

**Table 5.2b**

**Scenario 2: estimates of the value of actual reductions in officer time (NPV 2010)**

	2010	2011	2012	2013	2014	2015	2016	2017	Total
<b>Lower estimation</b>	£0.00	£0.00	£0.00	£1,344,831.92	£2,176,128.77	£2,082,205.83	£1,976,619.19	£1,841,870.70	<b>£9,421,656.41</b>
<b>Central estimation</b>	£0.00	£0.00	£0.00	£2,017,012.68	£3,263,812.58	£3,122,944.60	£2,964,583.10	£2,762,483.94	<b>£14,130,836.89</b>
<b>Upper estimation</b>	£0.00	£0.00	£0.00	£2,689,663.83	£4,352,257.53	£4,164,411.66	£3,953,238.38	£3,683,741.41	<b>£18,843,312.82</b>

<sup>6</sup> In order to avoid the attribution of spurious precision to the detailed figures relating to the exercise of PD rights and to the costs and benefits that arise for LPAs presented in this and subsequent tables, we stress that such data have significant margins of error and that the data are simply our best estimates.

spent each year on consultation matters (or £81,000). If it is assumed that prior approvals may lead to a 10% to 20% reduction in officer time (or £8,100 to £16,200 per annum) and this figure is grossed up to cover all LPAs within England, this gives an estimated national financial benefit of between £2.859m and £5.718m per annum (with a central estimate of £4.288m). Using these figures as a 2012 baseline (the PAS collected the majority of its data in 2012 and 2013), these figures can be adjusted to give the valuations in Table 5.2 covering the two scenarios defined in Section 5.1.2 above. However, these figures are highly speculative and must be treated with caution.

### 5.3 Planning fees

Planning fees were introduced into the system in 1981 to transfer the costs associated with associated with processing and deciding planning applications from the public sector to those wishing to make a planning application. The fee levels are set by the Secretary of State under Section 303 of the Town and Country Planning Act 1990 (DCLG 2008a). The income derived from planning fees can be spent as the local planning authority sees fit. However, the levels are set on the basis that the fees

**Table 5.3**

**Scenario 1: estimate of the NPV in 2010 of the potential loss of planning fees by region by year (2010-2017)**

Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	£553,790.43	£565,622.79	£534,645.77	£460,619.24	£645,725.37	£670,368.23	£751,319.47	£689,710.70	£4,871,802.00
East Midlands	£404,761.00	£371,785.79	£343,330.94	£308,458.60	£413,171.42	£403,883.11	£445,129.94	£498,464.07	£3,188,984.88
London	£425,452.57	£392,628.63	£401,135.05	£422,774.69	£514,227.16	£532,718.39	£725,618.21	£698,872.22	£4,113,426.91
North East	£154,209.57	£141,646.37	£129,472.57	£112,520.42	£167,061.51	£163,879.99	£188,416.66	£218,326.15	£1,275,533.24
North West	£565,353.14	£511,946.24	£468,007.80	£431,900.89	£601,345.73	£619,249.43	£678,789.44	£753,982.10	£4,630,574.79
South East	£690,045.86	£644,851.27	£603,956.19	£528,831.78	£747,366.94	£776,115.54	£866,239.71	£887,146.52	£5,744,553.80
South West	£712,306.71	£652,438.95	£595,060.20	£495,641.95	£732,131.41	£757,583.08	£701,904.93	£703,152.18	£5,350,219.42
West Midlands	£632,856.00	£564,764.25	£506,990.19	£443,026.21	£590,366.81	£592,754.25	£695,252.53	£642,168.79	£4,668,179.02
Yorkshire & Humber	£432,522.29	£397,285.41	£365,931.46	£326,058.77	£445,199.32	£435,302.12	£490,832.28	£556,194.89	£3,449,326.55
<b>England</b>	<b>£4,571,297.5</b>	<b>£4,242,969.72</b>	<b>£3,948,530.17</b>	<b>£3,529,832.54</b>	<b>£4,856,595.67</b>	<b>£4,951,854.15</b>	<b>£5,543,503.17</b>	<b>£5,648,017.60</b>	<b>£37,292,600.60</b>

**Table 5.4**

**Scenario 2: estimate of the NPV in 2010 of the actual loss of planning fees by region by year (2013-2017)**

Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	£0.00	£0.00	£0.00	£184,169.67	£568,704.57	£670,368.23	£751,319.47	£689,710.70	£2,864,272.64
East Midlands	£0.00	£0.00	£0.00	£134,755.07	£373,025.56	£403,883.11	£445,129.94	£498,464.07	£1,855,257.76
London	£0.00	£0.00	£0.00	£246,389.96	£514,015.30	£532,718.39	£725,618.21	£698,872.22	£2,717,614.07
North East	£0.00	£0.00	£0.00	£48,480.54	£151,669.28	£163,879.99	£188,416.66	£218,326.15	£770,772.62
North West	£0.00	£0.00	£0.00	£209,507.67	£561,807.27	£619,249.43	£678,789.44	£753,982.10	£2,823,335.91
South East	£0.00	£0.00	£0.00	£225,789.54	£670,447.11	£776,115.54	£866,239.71	£887,146.52	£3,425,738.42
South West	£0.00	£0.00	£0.00	£145,122.86	£599,915.28	£757,583.08	£701,904.93	£703,152.18	£2,907,678.34
West Midlands	£0.00	£0.00	£0.00	£181,455.32	£520,970.96	£592,754.25	£695,252.53	£642,168.79	£2,632,601.84
Yorkshire & Humber	£0.00	£0.00	£0.00	£168,370.25	£413,629.60	£435,302.12	£490,832.28	£556,194.89	£2,064,329.14
<b>England</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£1,544,040.88</b>	<b>£4,374,184.94</b>	<b>£4,951,854.15</b>	<b>£5,543,503.17</b>	<b>£5,648,017.60</b>	<b>£22,061,600.74</b>

should only cover the cost of handling applications, and are not intended to provide for other planning related costs, such as enforcement action. Since the existing fee regulations were introduced in 1989 (and consolidated in 2012) planning fees have increased 11 times (in 1991, 1992, 1993, 1994, 1995 and twice in 1997, 2002, 2005, 2008 and 2012; see DCLG, 2012b: 26). Despite these increases, researchers have argued that local authorities are failing to recover the costs of determining chargeable applications from the fees (DCLG, 2010).

There are two points to make regarding permitted development rights. If a formal planning application is required solely because the area is covered by an Article 4 direction under the GDPO act (restricting the usage of PD) then no planning fee is payable. There is also no fee for an application for a change of use where planning permission is required solely because the change is prohibited by a condition attached to a previous grant of planning permission.

The estimated value of the potential loss of planning fees under Scenario 1 is presented by region in Table 5.3 (the amounts are given as the NPV in 2010 of each annual loss, where those losses were measured in constant 2010 prices; the same holds for subsequent similar tables). These values were calculated using the process illustrated in Table 5.1. The estimated value of the actual loss of planning fees by region (Scenario 2) is described in Table 5.4 (for a breakdown of the figures by category of PD, see Tables 5.5 and 5.6). As shown in the tables, the amount of planning fees lost due to the changes in permitted development that occurred between 2013 and 2017 are estimated at around £22m. The majority of the lost fees (around £11.7m) arises from small and large office to residential conversions, reflecting the concerns raised within the literature on permitted development rights. A further £4.5m in fees is lost through agricultural to residential conversions and £5.8m is lost through non-residential to non-residential conversions.

**Table 5.5**

**Scenario 1: estimate of the NPV in 2010 of the potential loss of planning fees by category of PD (2010-2017)**

Category	2010	2011	2012	2013	2014	2015	2016	2017	Total
Small scale B1 to C3	£1,206,672.00	£1,108,366.44	£1,012,669.79	£878,810.87	£1,751,390.14	£1,709,705.11	£2,537,671.38	£3,293,694.52	<b>£13,498,980.25</b>
Large scale B1 to C3	£216,000.00	£242,491.00	£282,953.00	£318,517.00	£312,830.00	£451,542.00	£707,958.00	£265,421.00	<b>£2,797,712.00</b>
Agriculture to residential	£1,381,375.00	£1,268,836.68	£1,132,991.85	£907,437.99	£1,447,232.19	£1,503,520.85	£1,076,054.48	£950,375.65	<b>£9,667,824.68</b>
Non-residential to non-residential	£1,767,250.57	£1,623,275.61	£1,519,915.54	£1,425,066.69	£1,345,143.34	£1,287,086.20	£1,221,819.31	£1,138,526.43	<b>£11,328,083.68</b>
<b>Total</b>	<b>£4,571,297.57</b>	<b>£4,242,969.72</b>	<b>£3,948,530.17</b>	<b>£3,529,832.54</b>	<b>£4,856,595.67</b>	<b>£4,951,854.15</b>	<b>£5,543,503.17</b>	<b>£5,648,017.60</b>	<b>£37,292,600.60</b>

**Table 5.6**

**Scenario 2: estimate of the NPV in 2010 of the actual loss of planning fees by category of PD (2013-2017)**

Category	2010	2011	2012	2013	2014	2015	2016	2017	Total
Small scale B1 to C3	£0.00	£0.00	£0.00	£512,639.67	£1,751,390.14	£1,709,705.11	£2,537,671.38	£3,293,694.52	<b>£9,805,100.83</b>
Large scale B1 to C3	£0.00	£0.00	£0.00	£185,800.00	£312,830.00	£451,542.00	£707,958.00	£265,421.00	<b>£1,923,563.00</b>
Agriculture to residential	£0.00	£0.00	£0.00	£0.00	£964,821.46	£1,503,520.85	£1,076,054.48	£950,375.65	<b>£4,494,772.44</b>
Non-residential to non-residential	£0.00	£0.00	£0.00	£845,601.20	£1,345,143.34	£1,287,086.20	£1,221,819.31	£1,138,526.43	<b>£5,838,176.48</b>
<b>Total</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£1,544,040.88</b>	<b>£4,374,184.94</b>	<b>£4,951,854.15</b>	<b>£5,543,503.17</b>	<b>£5,648,017.60</b>	<b>£22,061,612.74</b>

## 5.4 Affordable housing

The provision of affordable housing is the single largest component of the value of agreed planning obligations and, as such, the main area of concern for developments proceeding under permitted development. In 2017, the threshold above which developments were required to include an element of affordable housing is 10 units or 1,000m<sup>2</sup> gross floorspace. In some rural areas – notably National Parks and Areas of Outstanding Natural Beauty – this threshold is reduced to 5 units (but no reduced floorspace threshold) (HMG, 2017). The London Councils thinktank claims that in London, prior approval has been granted for 7,000 new dwellings in schemes of 10 units or more, and if these had been approved through the planning system it could have supported as many as 1,000 new affordable homes or equivalent Section 106 contributions (London Councils 2015).

It is difficult to calculate the value of affordable housing contributions through planning obligations. However, four previous academic studies have used secondary data (land values, house prices and on numbers of affordable housing completions) to estimate the value of such contributions – both through direct payments to local authorities and through in-kind provision (Crook et al., 2006, Crook et al., 2008, Crook et al., 2010, University of Reading and Three Dragons, 2014). The series of studies mainly used surveys of all English local authorities to identify the number of planning permissions that were accompanied by planning obligations, alongside individual in-depth case studies to calculate the unit values of obligations.

Helpfully, the data and assumptions used have remained consistent across the four studies, allowing the figures to be adapted and used in this project. There is a wide variation in the nature of contributions between each development, often arising from the level of subsidy developments can attract – for example land can often be transferred to Registered Social Landlords (RSLs) for free. However, there are also some cases where the RSL has to pay the market price for the land (Crook et al. 2010, p. 137). One issue is that only two of the studies (for 2005/06 and for 2007/08) include regional weightings within their valuations. The valuations for the latter are shown in Table 5.7.

Nationally, the figures reveal an average value of an affordable housing unit of £54,302 in 2007/08. While this report is rather dated, these figures can be useful for informing the CBA. For each of the nine regions it is possible to identify an ‘adjustment factor’ in relation to the national average (for example, the North East’s £26,794 average value is about 49% of the national average of £54,302). These regional valuations were extrapolated up to 2017 (inflating the valuations using the Nationwide House Price Index, deflating them to 2010 prices using

the RPI, and then discounting them using the Treasury discount rate of 3.5%) to provide estimates for the value of an affordable unit for each year in each region. This provides the valuations shown in Table 5.8 that can be used for the lower estimate within the CBA.

The figures above have been extrapolated from data obtained in 2007/08 and, as such, are rather dated. To rectify this, calculations were also conducted using data obtained from the University of Reading and Three Dragon’s report (2014) covering 2011/12. While this report is the most up to date, it does not provide figures that can be weighted by region. Consequently, a different method of achieving figures for the years between 2010 and 2017 has been used. First, the national figures from the study were used as a baseline to obtain the national valuations for all years between 2010 and 2017 (again by using the Nationwide House Price Index). The 2014 study offers a valuation of £2.3 billion for all affordable housing contributions in 2011/12 and suggests there were around 32,500 affordable housing units, allowing an average value of per affordable unit to be obtained around £70,769. While this figure is substantially higher than the average valuation of £54,302 revealed above (perhaps surprisingly so given the financial recession and subsequent drop in house prices after 2008) the University of Reading and Three Dragon researchers argue that a drop in the number of affordable housing units being agreed (from 48,000 in 2007/08 to around 32,500 in 2011/12) suggests that the majority of units were built within London and the South East, where there has either been an increase in prices or a less pronounced reduction than that seen elsewhere. As a result, the figures derived from the 2011/12 study can be used to provide valuations for the higher estimates within the CBA.

This national average of £70,769 (assuming this reflects the price in 2011) was then ‘regionalised’ using the 2007/08 adjustment factors (%) shown in Table 5.7 and extrapolated to cover 2010 and 2017 (by using the Nationwide House Price Index, then deflating to 2010 prices using the RPI and then applying the Treasury discount rate). These figures represent the higher estimate of our calculations and are shown in Table 5.9. While the two methods discussed here are slightly different, reassuringly the valuations are similar.

The extent of affordable housing provision varies widely across the country, and even within the various regions of England. Some LAs impose strict guidelines requiring a certain percentage of homes to be provided (such as 10 per cent on any development over 15 units). Others do not, making it difficult to compare LAs and regions. It is difficult, if not impossible, to accurately assess the nature of all conversions. Given this issue, we have assumed that each development would be subject to a 10 per cent affordable housing requirement.

Table 5.7

The average value of a single affordable home in 2007/08

Region	Value of affordable housing agreed	Affordable units granted permission	Average value of a single affordable unit	Regional adjustment percentages
North East	£26,580,369	992	£26,794	49.34%
North West	£129,887,191	2,699	£48,124	88.62%
Yorkshire & Humber	£116,347,225	1,980	£58,761	108.21%
East Midlands	£99,009,392	3,956	£25,027	46.09%
West Midlands	£120,805,060	3,264	£37,011	68.16%
East of England	£297,515,991	5,362	£55,486	102.18%
London	£1,324,270,333	14,376	£92,116	169.63%
South East	£312,184,049	9,977	£31,298	57.64%
South West	£187,803,639	5,539	£33,905	62.44%
<b>Total</b>	<b>£2,614,403,249</b>	<b>48145</b>	<b>£54,302.69</b>	<b>100.00%</b>

Source: Adapted using figures from Crook et al [2010]

Table 5.8

Regional average values for an affordable housing unit (representing the lower estimate)

Region	2007	2010	2011	2012	2013	2014	2015	2016	2017
North East	£26,794.00	£24,647.00	£24,570.12	£24,622.02	£24,672.53	£26,952.64	£28,532.52	£30,045.48	£31,271.29
North West	£48,124.00	£45,358.00	£45,216.52	£45,312.04	£45,404.99	£49,601.08	£52,508.54	£55,292.84	£57,548.71
Yorkshire & Humber	£58,761.00	£56,673.00	£56,496.22	£56,615.57	£56,731.71	£61,974.56	£65,607.32	£69,086.19	£71,904.80
East Midlands	£25,027.00	£24,248.00	£24,172.36	£24,223.43	£24,273.12	£26,516.31	£28,070.62	£29,559.08	£30,765.05
West Midlands	£37,011.00	£36,219.00	£36,106.02	£36,182.30	£36,256.52	£39,607.16	£41,928.81	£44,152.11	£45,953.45
East of England	£55,486.00	£53,759.00	£53,591.31	£53,704.52	£53,814.69	£58,787.96	£62,233.93	£65,533.93	£68,207.61
London	£92,116.00	£93,456.00	£93,164.49	£93,361.30	£93,552.82	£102,198.48	£108,189.04	£113,925.84	£118,573.84
South East	£31,298.00	£30,930.00	£30,833.52	£30,898.66	£30,962.04	£33,823.39	£35,806.01	£37,704.65	£39,242.95
South West	£33,905.00	£33,043.00	£32,939.93	£33,009.52	£33,077.23	£36,134.05	£38,252.12	£40,280.47	£41,923.85

Source: Adapted using figures from Crook et al [2010]

Table 5.9

Regional average values for an affordable housing unit (representing the upper estimate)

Region	Regional Adjustments	2010	2011	2012	2013	2014	2015	2016	2017
<b>National Average</b>	<b>100.00%</b>	<b>£70,980.72</b>	<b>£70,769.00</b>	<b>£70,909.48</b>	<b>£71,054.94</b>	<b>£77,621.47</b>	<b>£82,171.40</b>	<b>£86,528.60</b>	<b>£90,058.83</b>
North East	49.34%	£35,023.26	£34,918.79	£34,988.11	£35,059.88	£38,299.93	£40,544.96	£42,694.88	£44,436.77
North West	88.62%	£62,904.36	£62,716.73	£62,841.22	£62,970.14	£68,789.50	£72,821.73	£76,683.16	£79,811.71
Yorkshire & Humber	108.21%	£76,808.31	£76,579.20	£76,731.22	£76,888.63	£83,994.27	£88,917.75	£93,632.68	£97,452.75
East Midlands	46.09%	£32,713.56	£32,615.98	£32,680.73	£32,747.77	£35,774.14	£37,871.12	£39,879.26	£41,506.27
West Midlands	68.16%	£48,378.21	£48,233.91	£48,329.66	£48,428.80	£52,904.34	£56,005.43	£58,975.15	£61,381.25
East of England	102.18%	£72,527.45	£72,311.12	£72,454.66	£72,603.30	£79,312.91	£83,961.99	£88,414.13	£92,021.29
London	169.63%	£120,407.65	£120,048.50	£120,286.81	£120,533.56	£131,672.64	£139,390.88	£146,782.18	£152,770.67
South East	57.64%	£40,910.58	£40,788.55	£40,869.52	£40,953.36	£44,738.05	£47,360.46	£49,871.78	£51,906.47
South West	62.44%	£44,318.27	£44,186.07	£44,273.79	£44,364.61	£48,464.55	£51,305.40	£54,025.90	£56,230.07

Source: Adapted using figures from University of Reading and Three Dragons [2014]. The regional weightings were obtained from Crook et al [2010].

**Table 5.10**
**Potential loss of affordable housing contributions arising from large B1 to C3 conversions (upper estimate)**

Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	£159,560.40	£1,162,350.95	£1,451,922.99	£1,188,473.30	£1,636,001.14	£2,409,286.47	£4,083,259.69	£1,778,502.87	£13,869,357.81
East Midlands	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
London	£2,095,093.15	£1,951,749.81	£3,062,182.19	£5,258,263.08	£3,868,595.03	£5,146,972.32	£8,818,647.20	£3,818,710.15	£34,020,212.92
North East	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
North West	£742,271.43	£581,833.74	£524,249.10	£649,952.57	£1,073,362.63	£1,622,900.70	£1,505,660.92	£1,110,619.69	£7,810,850.77
South East	£229,099.23	£325,950.50	£418,280.67	£366,563.77	£415,439.04	£810,575.09	£1,458,492.08	£314,336.16	£4,338,736.53
South West	£124,091.15	£85,231.25	£133,271.12	£53,661.77	£36,888.81	£246,613.30	£287,608.42	£28,980.35	£996,346.16
West Midlands	£1,025,618.15	£531,652.52	£353,308.42	£292,888.32	£519,459.18	£464,990.92	£1,895,967.52	£379,622.51	£5,463,507.53
Yorkshire & Humber	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>England</b>	<b>£4,375,733.50</b>	<b>£4,638,768.75</b>	<b>£5,943,214.50</b>	<b>£7,809,802.81</b>	<b>£7,549,745.83</b>	<b>£10,701,338.79</b>	<b>£18,049,635.83</b>	<b>£7,430,771.72</b>	<b>£66,499,011.72</b>

**Table 5.11**
**Potential loss of affordable housing contributions arising from large B1 to C3 conversions (lower estimate)**

Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	£118,269.80	£861,443.05	£1,076,187.93	£880,914.91	£1,212,629.51	£1,785,800.64	£3,026,575.65	£1,318,254.02	£10,280,075.50
East Midlands	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
London	£1,626,134.40	£1,514,669.21	£2,376,730.35	£4,081,231.19	£3,002,632.32	£3,994,852.22	£6,844,643.84	£2,963,913.88	£26,404,807.41
North East	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
North West	£535,224.40	£419,481.31	£378,012.92	£468,652.15	£773,954.48	£1,170,202.15	£1,085,665.72	£800,818.90	£5,632,012.03
South East	£173,208.00	£246,397.62	£316,233.51	£277,133.89	£314,085.16	£612,820.60	£1,102,666.49	£237,648.15	£3,280,193.42
South West	£92,520.40	£63,538.38	£99,363.88	£40,008.98	£27,503.45	£183,869.20	£214,434.22	£21,607.08	£742,845.57
West Midlands	£767,842.80	£397,974.31	£264,506.53	£219,272.65	£388,896.31	£348,118.32	£1,419,427.77	£284,206.73	£4,090,245.42
Yorkshire & Humber	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>England</b>	<b>£3,313,199.80</b>	<b>£3,503,503.87</b>	<b>£4,511,035.12</b>	<b>£5,967,213.77</b>	<b>£5,719,701.23</b>	<b>£8,095,663.13</b>	<b>£13,693,413.68</b>	<b>£5,626,448.76</b>	<b>£50,430,179.36</b>

**Table 5.12**
**Actual loss of value of affordable housing contributions arising from large B1 to C3 conversions (upper estimate)**

Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	£0.00	£0.00	£0.00	£693,276.09	£1,636,001.14	£2,409,286.47	£4,083,259.69	£1,778,502.87	£10,600,326.26
East Midlands	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
London	£0.00	£0.00	£0.00	£3,067,320.13	£3,868,595.03	£5,146,972.32	£8,818,647.20	£3,818,710.15	£24,720,244.83
North East	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
North West	£0.00	£0.00	£0.00	£379,139.00	£1,073,362.63	£1,622,900.70	£1,505,660.92	£1,110,619.69	£5,691,682.94
South East	£0.00	£0.00	£0.00	£213,828.87	£415,439.04	£810,575.09	£1,458,492.08	£314,336.16	£3,212,671.23
South West	£0.00	£0.00	£0.00	£31,302.70	£36,888.81	£246,613.30	£287,608.42	£28,980.35	£631,393.57
West Midlands	£0.00	£0.00	£0.00	£170,851.52	£519,459.18	£464,990.92	£1,895,967.52	£379,622.51	£3,430,891.65
Yorkshire & Humber	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>England</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£4,555,718.31</b>	<b>£7,549,745.83</b>	<b>£10,701,338.79</b>	<b>£18,049,635.83</b>	<b>£7,430,771.72</b>	<b>£48,287,210.47</b>

**Table 5.13**

**Actual loss of value of affordable housing contributions arising from large B1 to C3 conversions (lower estimate)**

Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
East	£0.00	£0.00	£0.00	£513,867.03	£1,212,629.51	£1,785,800.64	£3,026,575.65	£1,318,254.02	<b>£7,857,126.85</b>
East Midlands	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	<b>£0.00</b>
London	£0.00	£0.00	£0.00	£2,380,718.19	£3,002,632.32	£3,994,852.22	£6,844,643.84	£2,963,913.88	<b>£19,186,760.46</b>
North East	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	<b>£0.00</b>
North West	£0.00	£0.00	£0.00	£273,380.42	£773,954.48	£1,170,202.15	£1,085,665.72	£800,818.90	<b>£4,104,021.68</b>
South East	£0.00	£0.00	£0.00	£161,661.44	£314,085.16	£612,820.60	£1,102,666.49	£237,648.15	<b>£2,428,881.83</b>
South West	£0.00	£0.00	£0.00	£23,338.57	£27,503.45	£183,869.20	£214,434.22	£21,607.08	<b>£470,752.51</b>
West Midlands	£0.00	£0.00	£0.00	£127,909.04	£388,896.31	£348,118.32	£1,419,427.77	£284,206.73	<b>£2,568,558.18</b>
Yorkshire & Humber	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	<b>£0.00</b>
<b>England</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£3,480,874.70</b>	<b>£5,719,701.23</b>	<b>£8,095,663.13</b>	<b>£13,693,413.68</b>	<b>£5,626,448.76</b>	<b>£36,616,101.50</b>

**Table 5.14**

**Summary of the NPV in 2010 of the estimates of the potential losses of affordable housing contributions arising from large B1 to C3 conversions (2010-2017)**

Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
Upper estimate	£4,375,733.50	£4,638,768.75	£5,943,214.50	£7,809,802.81	£7,549,745.83	£10,701,338.79	£18,049,635.83	£7,430,771.72	<b>£66,499,011.72</b>
Central estimate	£3,844,466.65	£4,071,136.31	£5,227,124.81	£6,888,508.29	£6,634,723.53	£9,398,500.96	£15,871,524.76	£6,528,610.24	<b>£58,464,595.54</b>
Lower estimate	£3,313,199.80	£3,503,503.87	£4,511,035.12	£5,967,213.77	£5,719,701.23	£8,095,663.13	£13,693,413.68	£5,626,448.76	<b>£50,430,179.36</b>

**Table 5.15**

**Summary of the NPV in 2010 of the estimates of the actual losses of affordable housing contributions arising from large B1 to C3 conversions (2013-2017)**

Region	2010	2011	2012	2013	2014	2015	2016	2017	Total
Upper estimate	£0.00	£0.00	£0.00	£4,555,718.31	£7,549,745.83	£10,701,338.79	£18,049,635.83	£7,430,771.72	<b>£48,287,210.47</b>
Central estimate	£0.00	£0.00	£0.00	£4,018,296.50	£6,634,723.53	£9,398,500.96	£15,871,524.76	£6,528,610.24	<b>£42,451,655.99</b>
Lower estimate	£0.00	£0.00	£0.00	£3,480,874.70	£5,719,701.23	£8,095,663.13	£13,693,413.68	£5,626,448.76	<b>£36,616,101.50</b>

In an approach similar to that described in Section 5.3 above, we have used two scenarios to estimate the value of affordable housing contributions. First, a baseline scenario in which it is assumed there has been no changes to the planning regulations since 2010. Second, the actual valuations taking into account the changes to permitted development rights made in 2013. The valuations are provided in Tables 5.10 to Table 5.15. As is revealed in the tables, the estimates of the value of the actual loss of affordable housing units ranges from around £36.6m (at the lower end) to £48.2m (at the higher end). If the changes in PD rights occurred in 2010, then the potential loss could have been between £50m to £66.5m.

## 5.5 Conclusions

Summaries of the final cost benefit analyses for Scenario 1 and Scenario 2 are presented in Tables 5.16 and 5.17. They suggest that the major financial issue with permitted development rights is the loss in affordable housing contributions. LPAs across England have missed out on financial contributions with a NPV in 2010 of between £37m (lower estimate) and £48m (higher estimate) between 2013 and 2017. While these figures appear large, it should be noted that they are aggregate over the five years since the restrictions covering office to residential conversions were relaxed in 2013. Indeed, the values vary widely from around £4m in 2013 to around £15m in 2016 (central estimates).

**Table 5.16**

**Scenario 1: estimates of the potential costs and benefits arising from PD (2010-2017)**

Category	2010	2011	2012	2013	2014	2015	2016	2017	Total
<b>Planning fees</b>									
Small scale B1 to C3	-£1,206,672.00	-£1,108,366.44	-£1,012,669.79	-£878,810.87	-£1,751,390.14	-£1,709,705.11	-£2,537,671.38	-£3,293,694.52	-£13,498,980.25
Large scale B1 to C3	-£216,000.00	-£242,491.00	-£282,953.00	-£318,517.00	-£312,830.00	-£451,542.00	-£707,958.00	-£265,421.00	-£2,797,712.00
Agriculture to residential	-£1,381,375.00	-£1,268,836.68	-£1,132,991.85	-£907,437.99	-£1,447,232.19	-£1,503,520.85	-£1,076,054.48	-£950,375.65	-£9,667,824.68
Non-residential to non-residential	-£1,767,250.57	-£1,623,275.61	-£1,519,915.54	-£1,425,066.69	-£1,345,143.34	-£1,287,086.20	-£1,221,819.31	-£1,138,526.43	-£11,328,083.68
<b>Total</b>	<b>-£4,571,297.57</b>	<b>-£4,242,969.72</b>	<b>-£3,948,530.17</b>	<b>-£3,529,832.54</b>	<b>-£4,856,595.67</b>	<b>-£4,951,854.15</b>	<b>-£5,543,503.17</b>	<b>-£5,648,017.60</b>	<b>-£37,292,600.60</b>
<b>Affordable housing</b>									
Upper estimate	-£4,375,733.50	-£4,638,768.75	-£5,943,214.50	-£7,809,802.81	-£7,549,745.83	-£10,701,338.79	-£18,049,635.83	-£7,430,771.72	-£66,499,011.72
Central estimate	-£3,844,466.65	-£4,071,136.31	-£5,227,124.81	-£6,888,508.29	-£6,634,723.53	-£9,398,500.96	-£15,871,524.76	-£6,528,610.24	-£58,464,595.54
Lower estimate	-£3,313,199.80	-£3,503,503.87	-£4,511,035.12	-£5,967,213.77	-£5,719,701.23	-£8,095,663.13	-£13,693,413.68	-£5,626,448.76	-£50,430,179.36
<b>Officer Time</b>									
Upper estimate	£5,718,000.00	£5,435,989.80	£5,268,004.94	£5,112,134.35	£4,994,315.63	£4,946,014.70	£4,859,539.34	£4,686,747.80	£41,020,746.55
Central estimate	£4,288,000.00	£4,076,517.01	£3,950,543.06	£3,833,653.74	£3,745,300.00	£3,709,078.53	£3,644,229.57	£3,514,651.03	£30,761,972.93
Lower estimate	£2,859,000.00	£2,626,082.03	£2,458,869.49	£2,305,426.14	£2,176,128.77	£2,082,205.83	£1,976,619.19	£1,841,870.70	£18,326,202.15
<b>Final Values</b>									
Upper estimate	-£3,229,031.07	-£3,445,748.68	-£4,623,739.72	-£6,227,501.01	-£7,412,025.88	-£10,707,178.24	-£18,733,599.66	-£8,392,041.51	-£62,770,865.77
Central estimate	-£4,127,764.22	-£4,237,589.03	-£5,225,111.92	-£6,584,687.09	-£7,746,019.20	-£10,641,276.58	-£17,770,798.36	-£8,661,976.81	-£64,995,223.21
Lower estimate	-£5,025,497.37	-£5,120,391.57	-£6,000,695.80	-£7,191,620.17	-£8,400,168.14	-£10,965,311.45	-£17,260,297.66	-£9,432,595.65	-£69,396,577.81



LPA's have also missed out on planning fees with a NPV in 2010 of around £22m since 2013, with an average shortfall of £5m each year since 2014. From these figures it is clear that the benefits arising from savings in staffing costs within planning departments is not enough to offset the loss of fees. This conclusion reflects one concern from the Planning Advisory Service, which argues:

*'... anecdotal evidence suggests that some of the recent changes to permitted development and prior approvals have made the funding position worse in subsequent years'* (Planning Advisory Service 2015, p. 18).

The cost benefit analysis adopted within this study is very restricted in that, by necessity, we have focused on the direct financial costs and benefits associated with permitted development rights. As a result, only the immediate, quantifiable impacts relating to officer time, planning fees and affordable housing contributions have been covered. We have not examined any qualitative issues raised by the extension of PD rights, such as the size and quality of new dwellings produced by office to residential conversions, or the loss of control experienced by LPA's. Local planners may now struggle to direct where and when various forms of residential development may be developed. These issues are clearly important to LPA's and have been considered by Clifford et al (2018).

**Table 5.17**

**Scenario 2: estimates of the actual costs and benefits arising from PD (2013-2017)**

Category	2010	2011	2012	2013	2014	2015	2016	2017	Total
<b>Planning fees</b>									
Small scale B1 to C3	£0.00	£0.00	£0.00	-£512,639.67	-£1,751,390.14	-£1,709,705.11	-£2,537,671.38	-£3,293,694.52	-£9,805,100.83
Large scale B1 to C3	£0.00	£0.00	£0.00	-£185,800.00	-£312,830.00	-£451,542.00	-£707,958.00	-£265,421.00	-£1,923,563.00
Agriculture to residential	£0.00	£0.00	£0.00	£0.00	-£964,821.46	-£1,503,520.85	-£1,076,054.48	-£950,375.65	-£4,494,772.44
Non-residential to non-residential	£0.00	£0.00	£0.00	-£845,601.20	-£1,345,143.34	-£1,287,086.20	-£1,221,819.31	-£1,138,526.43	-£5,838,176.48
<b>Total</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>-£1,544,040.88</b>	<b>-£4,374,184.94</b>	<b>-£4,951,854.15</b>	<b>-£5,543,503.17</b>	<b>-£5,648,017.60</b>	<b>-£22,061,612.74</b>
<b>Affordable housing</b>									
Upper estimate	£0.00	£0.00	£0.00	-£4,555,718.31	-£7,549,745.83	-£10,701,338.79	-£18,049,635.83	-£7,430,771.72	-£48,287,210.47
Central estimate	£0.00	£0.00	£0.00	-£4,018,296.50	-£6,634,723.53	-£9,398,500.96	-£15,871,524.76	-£6,528,610.24	-£42,451,655.99
Lower estimate	£0.00	£0.00	£0.00	-£3,480,874.70	-£5,719,701.23	-£8,095,663.13	-£13,693,413.68	-£5,626,448.76	-£36,616,101.50
<b>Officer Time</b>									
Upper estimate	£0.00	£0.00	£0.00	£2,689,663.83	£4,352,257.53	£4,164,411.66	£3,953,238.38	£3,683,741.41	£18,843,312.82
Central estimate	£0.00	£0.00	£0.00	£2,017,012.68	£3,263,812.58	£3,122,944.60	£2,964,583.10	£2,762,483.94	£14,130,836.89
Lower estimate	£0.00	£0.00	£0.00	£1,344,831.92	£2,176,128.77	£2,082,205.83	£1,976,619.19	£1,841,870.70	£9,421,656.41
<b>Final Values</b>									
Upper estimate	£0.00	£0.00	£0.00	-£3,410,095.35	-£7,571,673.24	-£11,488,781.28	-£19,639,900.62	-£9,395,047.91	-£51,505,510.39
Central estimate	£0.00	£0.00	£0.00	-£3,545,324.70	-£7,745,095.90	-£11,227,410.51	-£18,450,444.82	-£9,414,143.90	-£50,382,431.83
Lower estimate	£0.00	£0.00	£0.00	-£3,680,083.66	-£7,917,757.41	-£10,965,311.45	-£17,260,297.66	-£9,432,595.65	-£49,256,057.83

The large number of affordable housing units that could have been obtained in 2015 and 2016 may affect the accuracy of these figures, as the larger numbers will exacerbate the variations between the lower and higher estimates of a single unit obtained in our methodology.

## 6.0 Conclusions

Cities are being continually made and re-made as they adjust to the demands for accommodation that arise from socio-economic, technological and environmental change. The urban built environment is altered by various combinations of development, including change of use, renovation, alteration, extension, demolition and new construction. The decisions about what responses should be made lie with various actors in the property market; the relations between those actors and the influences that they exert on development are in constant flux.

One dimension of this nexus relates to the balance between the autonomy of the private decision-maker and the regulatory power of the public sector. The private actor focuses on the specific costs and benefits of a development and generally acts more quickly and more flexibly than a public agency. Regulators consider the wider development costs and benefits and bring greater stability and strategy to the urban system, but are slower to act and increase the rigidity of that system. The debate over permitted development is rooted in the tension between these actors and their ways of acting.

In recent years there has been a significant extension of permitted development rights. It is now possible to pursue a wider range of developments without the need to obtain formal planning permission. The categories of development involved include:

- large extensions, residential annexes and other alterations to existing houses
- the conversion of commercial buildings, including offices, to residential use
- the conversion of agricultural buildings to residential use
- changes between different industrial and commercial uses
- the extension of industrial and commercial buildings and the construction of new buildings on their sites.

These relate mostly to schemes of a modest size. The main exception – and one that has given rise to considerable concern – is larger scale conversions of business uses, including offices, to residential use.

**Table 6.1**

**Estimated flow of dwelling units [or floorspace] resulting from the exercise of PD rights, England, 2010-2017**

Region	Conversions from B1 to C3			Ag/C3	B1 PD
	Large developments incl. student	Large developments excl. student	Small developments		
	Dwelling units	Dwelling units	Dwelling units	Dwelling units	,000 sq m
	2010/17	2010/17	2010/17	2010/17	2010/17
East	2105	2105	4715	5077	1637
East Midlands	2607	0	3876	2741	1558
London	3836	3057	7390	15	1313
North East	0	0	2170	971	445
North West	1934	1288	6559	2468	1971
South East	1172	1172	7415	5205	2111
South West	1139	242	5348	8563	1387
West Midlands	1569	1142	4535	4558	2012
Yorkshire & Humber	1552	0	5037	2097	1704
<b>England</b>	<b>16305*</b>	<b>7925*</b>	<b>47044</b>	<b>31696</b>	<b>14138</b>

\* Divergence of national estimate of large scale B1 to C3 change from sum of regional totals results from sampling error in estimation of contribution of conversion relative to demolition and rebuild.

Table 6.2

The costs and benefits to LPAs arising from the extension of PD rights

Category	Total Scenario 1 (potential) 2010 to 2017	Total Scenario 2 (actual) 2013/14 to 2017
<b>Planning fees</b>		
Small scale B1 to C3	-£13.50m	-£9.81m
Large scale B1 to C3	-£2.80m	-£1.92m
Agriculture to residential	-£9.67m	-£4.49m
Non-residential to non-residential	-£11.33m	-£5.84m
<b>Total</b>	<b>-£37.29m</b>	<b>-£22.06m</b>
<b>Affordable housing</b>		
Upper estimate	-£66.50m	-£48.29m
Central estimate	-£58.46m	-£42.45m
Lower estimate	-£50.43m	-£36.62m
<b>Officer time</b>		
Upper estimate	£41.02m	£18.84m
Central estimate	£30.76m	£14.13m
Lower estimate	£18.33m	£9.42m
<b>Final values</b>		
Upper estimate	-£62.77m	-£51.51m
Central estimate	-£65.00m	-£50.38m
Lower estimate	-£69.40m	-£49.26m

However, prominence does not necessarily equate with significance. Our analysis indicates that the bulk of additional dwellings that result from the exercise of recently extended PD rights take the form of small scale conversions from business uses, including offices, to residential use, and from agricultural use to residential use (see Table 6.1). These account for 47,044 and 31,696 dwelling units, respectively. In contrast, the large-scale conversions of business uses, especially offices, to residential use that are a key matter of concern to policy makers are less important at the national scale – particularly when the student accommodation element is excluded from consideration. Finally, the scale of PD occurring entirely within the B1 use class is relatively modest.

While not accounting for a high proportion of the total national number of conversions to dwelling units, it is the large schemes of conversion from business use (B1) to residential use (C3) that account for the largest element of the direct financial costs of PD to public authorities. This arises from the loss of affordable housing contributions from such developments that amounts to around £42.45m (central estimate, Scenario 2 (actual); see Table 6.2) and greatly exceeds the loss of planning application fees.

The saving of officer time does not compensate for these costs. In any case, while the absolute sums are substantial, they are insignificant when compared, for example, to the value of the market housing units resulting from permitted development<sup>7</sup>.

The extension of PD rights has facilitated long term structural change in England's built environment. Permitted development has contributed to trends such as:

- the gradual decline of the stock of business property alongside the expansion of the dwelling stock
- the conversion and subdivision of agricultural buildings to create new dwellings and holiday accommodation.

Given these findings, it is recommended that more research be undertaken on small scale agricultural to residential conversions and particularly on their wider social and environmental impacts. Research on the wider costs and benefits of office to residential conversions has been undertaken by Clifford et al (2018). However, to the extent that the emphasis of their study was on larger schemes, further work on the impacts of smaller B1 to C3 conversions would be of interest.

7 For example, the product of (i) the most conservative estimate of the potential number of dwelling units produced through PD between 2010 and 2017 [86,665, excluding student accommodation from large conversions] and (ii) the average house price in 2010 [£168,719] is (iii) over £14.6 billion.

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ricsamericalatina@rics.org

**North America**

ricsamericas@rics.org

### Asia Pacific

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**ASEAN**

ricsasean@rics.org

**Greater China (Hong Kong)**

ricshk@rics.org

**Greater China (Shanghai)**

ricschina@rics.org

**Japan**

ricsjapan@rics.org

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oceania@rics.org

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ricsindia@rics.org

### EMEA

---

**Africa**

ricsafrica@rics.org

**Europe**

ricseurope@rics.org

**Ireland**

ricsireland@rics.org

**Middle East**

ricsmiddleeast@rics.org

**United Kingdom RICS HQ**

contactrics@rics.org