Department for
Communities and
Local Government

Extending the life of planning permissions

Impact assessment

January, 2013
Department for Communities and Local Government

This document/publication is also available on our website at www.gov.uk/dclg

Any enquiries regarding this document/publication should be sent to us at:

Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU
Telephone: 030 3444 0000

January, 2013

ISBN: 978-1-4098- 3774-9

Title: A simplified measure for extending the life of existing planning permissions. **IA No:** DCLG 21012 **Lead department or agency:** Department for Communities and Local Government **Other departments or agencies:**	**Impact Assessment (IA)** **Date:** 13/12/2012 **Stage:** Final **Source of intervention:** Domestic **Type of measure:** Secondary Legislation **Contact for enquiries**: Tom Winter, 030344 41305

Summary: Intervention and Options

RPC Opinion: Green

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (Equivalent Annual Net Cost to Business on 2009 prices)	**In scope of One-In, One-Out?**	**Measure qualifies as**
£16.7m	£15m	£0	YES	ZERO NET COST IN

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

The Government want to support applicants and create the circumstances where they can proceed with their projects once planning permission has been obtained. Planning permissions are normally granted for a period of three years and in the current economic circumstances it is right to ensure that there is some flexibility for applicants to extend permissions to give them the best possible opportunity for development to proceed. In October 2012 the existing temporary provision which allows applicants to extend planning permissions will cease to have effect for most applications. As challenging economic conditions continue to prevail, we therefore propose to extend this policy for a further temporary period of one year.

What are the policy objectives and the intended effects?

The purpose of intervention is to support growth by ensuring applicants can proceed, at the earliest opportunity, with the developments for which they have secured planning permission. This will be achieved by extending an existing temporary measure which provides a simple process for seeking more time to implement an existing planning permission. Without this measure an applicant with a stalled site would need to apply for a full, new planning application if they wanted to maintain a legal permission. A full planning application carries a higher fee, and also requires more information – which itself adds to costs. Extending the temporary provision will give applicants with stalled sites an extra year to benefit from this flexibility.

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

Option 1 – Continue the existing temporary provision for a further year. This is the preferred option.

Option 2 – Do nothing, allowing the effect of the existing provision to run out from 01 October 2012.

Will the policy be reviewed? It will be reviewed in October 2013

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** yes	**< 20** yes	**Small** yes	**Medium** yes	**Large** yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:**	**Non-traded:**	

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

Signed by the responsible Minister: Nick Boles Date: 01/11/2012

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 12/13	Time Period Years 1	Net Benefit (Present Value (PV)) (£m)		
			Low: 7.3	**High:** 26.2	**Best Estimate:** 16.7

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional		Optional	**0**
High	Optional		Optional	**0**
Best Estimate				**0**

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

None

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

The benefits that applicants realise from paying a reduced application fee under this proposed extension can be seen as a transfer to them from local planning authorities (who might otherwise have expected to receive the full application fee upon renewal). Application fees are designed to cover the costs associated with processing an application to a local planning authority; as these costs are reduced under the flexible extensions procedure so too are the fees, meaning in net terms councils are no worse off.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional		Optional	**£7.3m**
High	Optional		Optional	**£26.2m**
Best Estimate				**£16.7m**

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

Benefits to business and householders (for one year period, September 2012-September 2013)

- administrative savings through avoiding need to submit a full new planning permission: £3.2m to £12m
- fee savings as a consequence of a lower fee: £4.1 m to £14.2m

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

- The proposed change will mean most statutory consultees will not need to be involved in extension applications, which should lead to savings to consultees compared to no change (Option 2).
- The ability to extend will continue to give certainty to both applicants and local authorities that major developments can go ahead.

Key assumptions/sensitivities/risks	**Discount rate (%)**	3.5

The policy is being bought forward to give support to applicants and to help create the best possible conditions for building projects to go ahead. An important assumption is that applicants will use these powers to enable them to start work on site as soon as it is practically possible to do so.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			**In scope of One-In, One-Out?**	**Measure qualifies as**
Costs: 0	**Benefits:** 15	**Net:** Zero	Yes	ZERO NET COST IN

Evidence Base (for summary sheets)

Problem under consideration

If a planning permissions lapses (normally after three years if development has not been implemented), there are costs and delays for applicants associated with preparing a fresh planning permission and awaiting a decision. For this reason, an expedited application procedure is currently provided for in planning legislation, for situations where an applicant needs more time to implement the development for which planning permission has already been granted. This allows applicants to apply for a *replacement* planning permission, for the same development. There are less burdensome information and consultation requirements for these applications, and a lower fee. The procedure is referred to in this Impact Assessment as an 'extension' application; more formally it is an 'extension of time for the implementation of a planning permission by grant of a new planning permission for the proposal authorised by the original permission'.

The current provision was introduced in October 2009[1] as a temporary measure in response to the economic downturn, and its scope was widened to incorporate partially implemented outline planning permissions in October 2010. In each case it applies in circumstances where the original permission was granted before October 2009. Planning permission is normally granted subject to a three year time limit for implementation, though a longer period is allowed for in some cases. The ability to extend an existing permission will therefore cease to be available to most applicants from October 2012, unless a longer time period for implementation was agreed at the initial grant of permission.

The Government has considered whether to let the current provision lapse. The effect of this would be that any applicant whose permission was about to lapse would have to, if they still wanted to go ahead with their project, submit a new planning application (should they not be able to commence development within the allotted time). The Government's preference, given the need to support economic recovery, is to extend the provisions for a further temporary period of one year. The policy will be kept under review.

Policy objective and rationale for intervention

It is reasonable to expect that applicants will ordinarily, and wherever possible, build out schemes that have planning permission in the time allotted to them by the local authority – as most applicants are reliant on maximising profit and so have little incentive to delay output. However in times of economic uncertainty this is not always possible. The economic downturn led to difficulties for some applicants in proceeding with schemes that had permission.

For example, looking at the house-building sector, especially small and medium-sized developers, a major barrier to development proceeding has been access to development finance; recent evidence from the Home Builders Federation (HBF) found that overall 32% of house builders cited obtaining development finance as a major constraint, but among small house builders the figure was much higher (60%).[2]

The Government wants to ensure that sustainable development can proceed as quickly as possible, to help stimulate growth in the economy. The Get Britain Building Fund[3] is one way in which the Government is seeking to tackle problems of access to development finance. The recently published National Planning Policy Framework also seeks to help by promoting a positive approach to supporting sustainable development that will benefit local communities.

[1] The original Impact Assessment published when the temporary measure was introduced in October 2009 is available in the DCLG website: http://www.communities.gov.uk/publications/planningandbuilding/flexibilitypermissionsia

[2] January 2012 BPF/NHBC Housing Market report – subscription only.

[3] http://www.communities.gov.uk/news/newsroom/2109379

The objective of the policy proposal here, which is an extension of the change made in October 2009 and expanded in October 2010, is therefore to support wider measures aimed at helping firms with planning permissions by building a degree of flexibility into the system, to allow applicants to extend planning permissions through an expedited, low cost route, where local authorities are content that this (rather than a full new application) is appropriate.

Overall we consider that the majority of applicants will continue to proceed with approved development as quickly as they possibly can, although it is acknowledged that the ability to extend a permission may, in some cases, lead applicants to delay implementation. However, where this happens it will be due to decisions made by individual applicants, presumably on the basis that it makes financial sense to do so.

As discussed, this measure is being bought forward alongside a number of initiatives designed to help the property industry return to growth; the ability to extend the life of planning permissions will give that bit of extra flexibility to deliver development. This is a short-term move in response to current economic circumstances; it is considered important therefore that the provision remains temporary and that a clear expectation is retained from the outset that applicants will build-out planning permissions within the time period allotted to them by the local planning authority. The effect of (and continued need for) the policy will however be kept under review.

Options under consideration

There are two options. Option 1 is to extend the policy on a temporary basis, and the second (Option 2) is to let the policy lapse.

Within this Option (1) consideration has been given to how long any temporary extension should last. One year is considered appropriate as it allows sufficient time to gather data on changes in general economic circumstances and the fortunes of the applicant community, whilst ensuring the temporary provision can be phased out quickly once sufficiently favourable circumstances return – at which point the Government expects applicants to proceed quickly with implementing the development for which they have been granted permission and which local communities need.

The impact of the policy has been assessed previously on two occasions, in October 2009 and October 2010. These earlier studies form the methodology for the analysis used in this Impact Assessment.[4]

Outline of policy proposal (Option 1)

The first option considered is to extend the life of the provision for one further year, whilst continuing to keep the effect of the measure under review. This would be implemented through a change to Article 18 of the Town and Country Planning (Development Management Procedure)(England) Order 2010, to specify that the extensions procedure applies to applications where the initial decision was made before October 2010.

Costs and Benefits of Option 1

Benefits

This measure is beneficial to business. However, as it is a new regulation, savings to business cannot be counted as an OUT on the Department's One-In, One-Out balance. Rather it is a Zero Net Cost In; a new regulation that has no costs to business.

[4] The 2009 Impact Assessment is available at (http://www.communities.gov.uk/publications/planningandbuilding/flexibilitypermissionsia) and the 2010 Impact Assessment is available at (http://www.legislation.gov.uk/uksi/2010/2184/pdfs/uksiem_20102184_en.pdf)

The benefits to applicants of the expedited extensions procedure is a reduction in administrative costs associated with submitting such applications compared to the costs of submitting a full application. In addition there is also a saving arising due to a reduced fee payable.

The combined saving, over the one year life of the policy, is estimated to be **£7.3m – £26.2m.**

Business applicants submitting large scale major, major and minor projects are considered to be the key beneficiary of this policy, although it will also benefit individuals seeking to submit a householder application.

The *administrative savings* are calculated by reference to the expense that applicants would ordinarily incur in preparing the information necessary to submit a planning application. In cases where applicants are extending an existing planning permission, this is significantly reduced from a scenario where an applicant is submitting a full new planning application.

The *fee savings* reflect the fact that applicants seeking to apply for a replacement planning permission pay a lower fee than they would for a full new application.

Reduced number of full applications

Between September 2009 and September 2010 decisions were made on 433,800 planning applications.[5] Of these, 12,800 were ‘major’ (including ‘large scale major’) applications[6], 121,600 were ‘minor’ and 198,600 were householder applications. This is the cohort of applications that potentially may now benefit from the extension of the flexible re-application arrangements.

The second column below indicates the number of these applications that we expect to take advantage of the extension. That is, the number of applications that follow the extensions procedure, as opposed to proceeding with a full new planning permission, which they would have done had the policy not been implemented.

The estimates of take-up, reflecting earlier analysis, are as follows:

- between 5 and 20 per cent of the potentially eligible major applications (including large scale major applications); and
- between 2.5 and 7.5 per cent of the potentially eligible minor and householder applications.

Evidence obtained by the department through correspondence with practitioners and monitoring of the amount of extension application forms downloaded from the planning portal suggests this range of predicted take up is reflected in practice.

[5] See link http://www.communities.gov.uk/documents/statistics/xls/2081109.xls. Figure excludes ‘county matters’ applications.

[6] Large scale major planning applications are defined in the department’s statistical returns as ‘ where the number of residential units to be constructed is 200 or more. Where the number of residential units to be to be constructed is not given in the application a site area of four hectares or more should be used as the definition of a major development. For all other uses a large-scale major development is one where the floorspace to be built is 10,000 square metres or more, or where the site area is two hectares or more.

Table 1: Predicted savings for year September 2012 – September 2013

Application type	Reduced number of full applications[7]	Administrative saving per application (£)	Fee saving per application (£)	Total admin cost saving (£m)	Total fee saving (£m)	Total savings (admin + fees)
Major	490 – 1,950	1,452	£3,600	0.7 – 2.8	1.8 - 7.0	2.5 - 9.8
Large scale major	150 – 610	10,707	£3,600	1.6 – 6.6	0.6 - 2.2	2.2 – 8.8
Minor	3,040 – 9,120	155	£380	0.5 – 1.4	1.2 - 3.5	1.7 – 4.9
Householder	4,970 – 14,900	78	£100	0.4 – 1.2	0.5 - 1.5	0.9 – 2.7
Total	8,645 - 26,580	n/a	n/a	3.2 – 12.0	4.1 -14.2	7.3 – 26.2

Administrative saving per application

The predicted administrative costs saving per application is based on the PwC Administrative Burdens Measuring Project, and reflected in the 2009 Impact Assessment which estimated the transaction costs of large scale planning applications. The transaction costs of major, large-scale major and minor applications were estimated as £13,568, £100,071, and £1,450 respectively. The cost of a householder application is assumed to be half that of a minor application – so £725. These have been up-rated using the HM Treasury deflator to 2011 prices. This range of costs is also reflected in other research carried out on the costs associated with submitting a planning application, such as those carried out as part of the Killian Pretty Review.[8]

An estimate has been made of the saving to applicants in preparing an extension application as opposed to a completely new application. Clearly there will be significant variation on this point. The amount of additional work for the applicant in preparing an extension application will depend on the extent to which the local policy context has changed, and any other factors associated with the site in question and its relationship with the surrounding area. The earlier Impact Assessment predicted that the savings would be 10% of what it would cost to prepare a completely new application (see column three above). Our evidence suggests that this is a reliable assumption for many extension applications, although there will be instances where the actual savings are much higher.

Fee savings per application

In January 2010 the Department amended the Fee Regulations to introduce a low, flat fee for applications to extend planning permissions: £500, £170 and £50 for major, minor and householder schemes respectively[9]. Whilst, particularly in the case of major applications, the fee levels will vary significantly between different sizes of application, for comparative purposes we have made a cautious assumption that where an applicant would submit a new application they would incur fees of £4,100, £550 and £150 respectively. In consequence there is a significant fee saving for applicants who would otherwise be liable to pay the full fee for a new planning application (see column four above).

[7] Figures rounded to nearest 10

[8] The final report of the Killian Pretty Review is available at: http://www.communities.gov.uk/publications/planningandbuilding/killianprettyfinal

[9] The current regulations on fees are the Town and Country Planning Act (Fees for Applications and Deemed Applications) Regulations 1989 (as amended):

Other Benefits

In addition to the monetised savings outlined above, there are also a number of other key benefits that have not been monetised. In summary:

- The proposed change will mean that the majority of statutory consultees will not need to be reconsulted for extension applications, which will continue to place a reduced burden on them; and
- The ability to extend will continue to give more certainty to both applicants and local authorities that major developments will go ahead – particularly where viability is an important factor.

Costs

When the policy was originally introduced there was a small cost (non-monetised) which reflected the fact that the planning portal and local authorities would need to review and amend procedures to deal effectively with this new application type. As the policy is already in place these costs will not need to be incurred again.

The benefits that applicants realise from paying a reduced application *fee* under this proposed extension can be seen as a transfer to them from local planning authorities (who might otherwise have expected to receive the full application fee upon renewal). Application fees are designed to cover the costs associated with processing an application to a local planning authority; as these costs are reduced under the flexible extensions procedure so too are the fees, meaning in net terms councils are no worse off (i.e. they do less work and so get less in fee income).

Option 2 – Do nothing
The second option is to do nothing. Under this scenario the provisions set out in the Town and Country Planning (Development Management Procedure) (England) Order 2010 would remain unamended. As a consequence, the ability to extend a planning permission – together with the lower fee – would cease to be available for applicants with three year planning permissions in October 2010.

Compared to the current circumstances (where the policy is in place) this would increase costs to business substantially. That is, the estimated benefits to applicants in the cohort September 2009-September 2010, whose applications may have elapsed between during September 2012 and September 2013, and would have incurred the full cost of re-applying and who can now take advantage of the new flexible, extended, arrangements. Doing nothing would impose additional costs on business – in the region of £7.2m – £26.2m in administrative and fee expenses - which would otherwise be classified as savings were the policy to continue.

In summary, therefore, doing nothing has been dismissed as an option.

Impact on Small and Microbusinesses

The policy benefits all types of business, including small and micro businesses. There are no transitional costs imposed in extending the policy. Therefore, small and microbusinesses have not been exempted from this regulatory change.

Direct costs and benefits to business calculations (following One-In, One-Out methodology);

Taking forward Option 1 has been assessed as a net benefit to business of **£6.4 – £23.5 m** for the year 2012 – 2013.