



Department for  
Communities and  
Local Government

# New opportunities for sustainable development and growth through the reuse of existing buildings

Impact assessment

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<b>Title: New opportunities for sustainable development and growth through the reuse of existing buildings</b>  <b>IA No:</b>  <b>Lead department or agency:</b> Department for Communities and Local Government  <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 21/03/2013		
	<b>Stage:</b> Final		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Secondary Legislation		
<b>Contact for enquiries:</b> Saima Williams 0303 444 2058			

<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> Awaiting Scrutiny
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£2.9m	£2.7m	-£0.3m	Yes   Out

**What is the problem under consideration? Why is government intervention necessary?**  
 The Government believes that a responsive planning system is vital to deliver the sustainable development needed swiftly and smoothly. Securing a change of use should not be an obstacle to creating prosperity; for example bringing empty and underused buildings back into use, providing a suitable environment for business start-ups, supporting job creation and contributing to the provision of new homes. It therefore wishes to identify and remove those planning measures that are unnecessary barriers.

**What are the policy objectives and the intended effects?**  
 The purpose of these measures is to further reform and deregulate the Use Classes Order and the General Permitted Development Order to better support sustainable development. The aim of this policy process is to establish a system for change of use, which is light touch where appropriate, while also ensuring local planning authorities and the public have the opportunity to influence decisions that will impact on the local area.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**  
 (0) Do nothing (baseline)  
 (1) Our preferred option is to make changes to the existing Use Classes Order and associated permitted development rights to:  
 (a) allow agricultural buildings below a specified size threshold to convert to A1, A2, A3, B1, B8, C1 and D2, with a light touch prior approval process for buildings above a set size threshold; (b) increase the thresholds from 235m<sup>2</sup> to 500m<sup>2</sup> for permitted development rights for change of use between B1 and B8 and from B2 to B1 and B8; (c) allow A, B1 and D2 to convert to A1, A2, A3 and B1 for a temporary period of up to 2 years; (d) allow all uses to become a school including associated minor physical development for a temporary period of 1 year; and allow B1, C1, C2, D1 and D2 to become schools with prior approval for transport and noise

**Will the policy be reviewed?** It will be reviewed. **If applicable, set review date:** April 2019

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.	<b>Micro</b> YES	<b>&lt; 20</b> YES	<b>Small</b> YES	<b>Medium</b> YES	<b>Large</b> YES
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b>		<b>Non-traded:</b>

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

Signed by the responsible SELECT SIGNATORY: \_\_\_\_\_ Date: \_\_\_\_\_

**FULL ECONOMIC ASSESSMENT**

Price Base Year 2013	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 0.5	High: 9.1	Best Estimate: 2.9

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		< 0.1	0.1
High		< 0.1	0.1
Best Estimate		< 0.1	0.1

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

Prior approval fees for applicants are expected to cost significantly less than £0.1m per annum. The relaxation of planning rules is expected to cost local authorities around £0.1m in forgone fee income per annum. However these costs are likely to be more than offset by the reduction in activities required to process and determine these applications. This is treated as transfer and therefore there is no net change for local authorities.

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

There is some risk of neighbour disputes arising, or requests to councils for enforcement action against, change of use occurring outside the planning system. There is also some risk of impacts on third parties by increased noise, traffic and disruption.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		0.1	0.6
High		1.1	9.2
Best Estimate		0.3	2.9

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

Savings to applicants from avoiding spending time and resource on preparing a planning application including fee payments are estimated at £0.1m - £1.1m per annum (best estimate £0.3m). Savings to local planning authorities from no longer processing as many applications for change of use are estimated at around £0.1m per annum. As set out above, this is treated as a transfer and therefore there is no net change for local authorities.

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

As noted there will be wider costs and benefits which this Impact Assessment does not currently capture. This includes the economic benefit of more buildings changing to more productive uses as a result of the transaction cost of development being reduced.

<b>Key assumptions/sensitivities/risks</b>	<b>Discount rate (%)</b>	3.5
<p>The modelling uses the number and costs of applications for each development type using categories listed in the Land Use Change Statistics. It is assumed that a site level change as shown in Land Use Change Statistics is comparable to a planning application, with the average rate of changes taking place over the ten year period rising in line with economic growth. The average mean cost of £1,250 for preparing and submitting a change of use planning application has been used. The fee cost for prior approval where appropriate is £80.</p>		

**BUSINESS ASSESSMENT (Option 1)**

<b>Direct impact on business (Equivalent Annual) (£m, 2009 prices, 2013 base year):</b>	<b>In scope of OIOO?</b>	<b>Measure qualifies as</b>
Costs: < 0.1	YES	OUT
Benefits: 0.3		
Net: 0.3		

## Evidence Base (for summary sheets)

### Problem under consideration

The Government believes that an effective planning system is vital to supporting sustainable development, and wants to ensure it is a responsive and not restrictive tool, which offers flexibility, contributes to the economic recovery, and equally contributes to strong and vibrant communities. It therefore wishes to identify and remove those planning measures that are unnecessary barriers.

The planning system controls not only development but also changes in the use of buildings or land. Planning permission is usually required for anything that is considered to be a 'material' change of use.

Certain uses of buildings and land are, however, considered so similar in land use planning terms that to require planning permission to change use is seen as an unnecessary burden. Secondary legislation (the Use Classes Order) therefore defines broad classes of use for buildings and provides that a change of use is not "development" where the former use and the new use are both within the same use class.

Uses fall within four main categories:

- Class A** covers shops and other retail premises such as restaurants and bank branches;
- Class B** covers offices, workshops, factories and warehouses;
- Class C** covers residential uses;
- Class D** covers non-residential institutions and assembly and leisure uses.

There are subsets within each class. There are also uses that are described as sui generis, meaning that they are in a class of their own. These are set out in detail at Annex 1.

In addition, other legislation gives a general planning permission for specified changes of use between some use classes in the Use Classes Order. It does this by classifying certain changes of use between the use classes as permitted development.

The last review of how change of use is handled in the planning system culminated in the 2005 changes to the Use Classes Order. Given the priority for delivering economic growth it was considered timely to revisit the issue and a review of how change of use is handled in the planning system was announced as part of the Government's Growth Review. The first stage was to collect views and evidence from a range of organisations and individuals about the current system and possible deregulatory and pro-growth changes. Roundtable discussions with key partners including developers, business organisations and community and environmental organisations were held in June 2011.

These were followed by a more general call for evidence with the publication of an issues paper in July 2011 and individual meetings with other organisations or individuals where these were specifically requested. The review specifically explored whether change of use development should be managed in the planning system, and if so, whether it could be better managed to ensure the process was conducive to sustainable development. Following a consultation exercise in July 2012 and in October 2010 for change of use to schools, the measures outlined in this document help improve the efficiency of the planning system.

## Rationale for intervention

Change of use of buildings is a routine occurrence. In many cases the change will have no material impact on the local area. However the planning regime recognises that there will be circumstances where the change will impact on land use and as such a planning application would be required. An objective of government is to ensure the threshold of where planning permission is required is set at the right level to minimise administrative burdens, and that where permission is required, it can be obtained, where appropriate, in the easiest way possible.

Change of use can be an important contributor to prosperity and support strong and vibrant communities. An efficient system for changing the use of existing buildings reduces the costs to businesses that wish to do so. This may benefit business start-ups, the expansion and diversification of industries and institutions, and businesses providing new homes.

Change of use planning applications could be a burden on business in terms of time and cost and be of little value if the change of use does not impact on the neighbourhood. To reduce most of the burdens, there are two deregulatory planning tools:

- the Use Classes Order which defines broad classes of use for buildings and land and provides that a change of use is not "development" where the former use and the new use are both within the same use class and therefore does not require planning permission; and
- the General Permitted Development Order, which goes further by allowing change between certain use classes, in defined circumstances, without the need for a planning application

## Consultation Response

Views expressed in the October 2010 and July 2012 consultation suggested there was scope for further reducing burdens by making changes to the Use Classes Order and General Permitted Development Order in order to support growth. The measures contained here have been refined in line with comments and suggestions received.

## Policy objective

- to create new and extended permitted development rights;
- to simplify the change of use system; and
- to promote the reuse of buildings and facilitate the provision of new schools.

## Description of options considered (including do nothing)

### *Do nothing*

Make no changes to the Use Classes Order and associated permitted development rights. This option will not achieve the policy objectives.

### *Option 1*

The preferred option is to make changes to the existing Use Classes Order and associated permitted development rights to:

**(a) allow agricultural buildings below a specified size threshold to convert to A1, A2, A3, B1, B8, C1 and D2, with a light touch prior approval process for buildings above a set size threshold**

The purpose of this change is to enable changes of use from buildings currently used for agricultural purposes to other purposes so that rural communities have more opportunity and incentive to diversify their operations and thereby contribute towards rural prosperity and job

creation. This will enable changes of use from agriculture to other relatively-low impact business uses (e.g. offices, food processing, cafes, bed & breakfast, leisure uses, storage without a requirement for submitting a planning application and so providing opportunities for other rural business to expand and grow in other premises.

A prior approval process would be triggered for development above a set size threshold in order to avoid high impact development occurring without local consideration. This will also ensure against unintended reduction in the flexibility already afforded to farm businesses and avoid giving an unfair competitive advantage.

Agricultural uses are defined in s336(1) of the Town and Country Planning Act 1990. To support rural economy and job creation and in support of the Government's Rural Economy Growth Review, these measures will give permitted development rights for buildings used for agricultural purposes (as defined in the Town and Country Planning Act 1990) to convert (wholly or in part) to alternative uses that help to start up and grow businesses, which drive the rural economy, such as small businesses and light commercial operations. The uses allowed under permitted development rights will include:

- Class A1, A2, and A3,
- Class B1 and B8,
- Class C1
- Class D2.

There are already permitted development rights for the construction of new buildings for agricultural use. Therefore to prevent new buildings being constructed with the sole intention of conversion to commercial uses, the permitted development rights will apply only to agricultural buildings in existence at the time the consultation was published (July 2012) or constructed after the consultation began and in agricultural use for 10 years.

**(b) increase the thresholds from 235m<sup>2</sup> to 500m<sup>2</sup> for permitted development rights for change of use between B1 and B8 and from B2 to B1 and B8**

This measure will offer more flexibility for changes of use between the B classes to support the effective use of commercial premises and so provide a positive measure to support sustainable development.

Currently, permitted development rights exist to allow limited changes of use between B1 uses (including offices, high technology and light industry) B8 (storage and distribution and from B2 uses (general industry) to both B1 and B8. The current size limit for permitted development is 235m<sup>2</sup> and has been in place for some time without review. The increase to 500m<sup>2</sup> will help provide flexibility vital for enabling quick response changes necessary to support business growth.

As this is for change of use rather than construction of a new building, the impact should not be significant.

**(c) allow A, B1 and D2 to convert to A1, A2, A3 and B1 for a temporary period of up to 2 years.**

This option will create the opportunity for providing accommodation for new and start-up businesses and contribute to retaining the viability and vitality of town centres by allowing the temporary use of certain buildings.

This temporary permission will be applicable for all uses in class A, B1 and D2 to convert to A1, A2, A3 and B1 for a period of up to two years accompanied by a notification to the local authority. Listed buildings will be exempt for this permitted development right.

**(d) allow all uses to become a school including associated minor physical development for a temporary period to allow operation for the first academic year; and allow B1, C1, C2, D1 and D2 to become schools with prior approval for transport and noise**

The Government also wants to use this opportunity to bring forward further measures to support the roll out of the Free Schools programme. There is a public commitment to facilitate the provision of new schools. The new temporary permitted development right will allow temporary changes of use to a new state funded school. This right will also allow for minor associated physical development for the first academic year, to provide certainty that a school opening will not be delayed. This option also helps avoid unnecessary delay for those wishing to set up a new school, enabling providers to respond quickly and flexibly to local demands. The new permanent permitted development right will allow the following uses to convert to schools without the need for planning permission, but subject to the prior approval of the local planning authority in relation to some matters:

- Class B1
- Class C1
- Class C2
- Classes D1 (existing) & D2

This measure will help to promote the creation of new schools and remove barriers to setting up new schools where the land use impacts would be similar to those of existing use. Although the new school use may have a different impact on a neighbourhood, these permissions would allow innovative and creative school development and would broaden the potential stock of available school accommodation thereby maximising choice for parents, teachers and local communities and facilitating the smooth delivery of new schools. To help address any unacceptable impacts which are likely to be transport and noise related, the changes will be subject to a prior approval process and will be applicable to new state funded schools only.

**Monetised and non-monetised costs and benefits of each option (including administrative burden)**

For options (a), (b), (c) and (d):

**No longer preparing and submitting a planning application for change of use: saving to Applicants**

The applicant will benefit from not having to incur a cost in developing their scheme, preparing a planning application and submitting it. The resource, time and fee cost of a planning application can vary for the applicant. For estimating the total costs incurred to the applicant when making the applications, a range of values have been used to illustrate the possible span of benefits which applicants may incur from the policy. It is important to note these costs are far wider than the just a planning application fee.

Research commissioned by the Department found the cost to developers of preparing and submitting an application for change of use is between £290 and £3,370. The average cost of £1,250 is used for a central estimate of savings from reducing the instances where change of use applications must be submitted.<sup>1</sup> The costs identified were those that were specific or

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<sup>1</sup> Department for Communities and Local Government (July 2009), *Benchmarking the costs to applicants of submitting a planning application*,



additional relating to the requirement for planning permission, as distinct from those other costs associated with, for example, producing and implementing a design scheme. These include the overall costs of devising, planning, designing, project managing and commissioning development schemes including the following elements associated specifically with preparing and submitting an application:

- costs attributable to staff working for the applicant (the developer or eventual occupier)
- research-type costs towards identifying sites, gaps in the market for particular use configurations, development potential etc;
- professional services focused on bringing forward or shaping the research findings into practicable schemes – such as making development plan representations to have a site included in local authority land allocations;
- land or site acquisition costs – including the costs of establishing ownership, procuring deeds, legal and contractual advice, and of course the finance cost of purchase or lease itself;
- scheme scoping to identify potential and desirable uses, including the possible mix, scaling or massing as the ‘terms of reference’;
- scheme development based on the parameters to work into a fully-considered scheme appropriate for planning submission including design, pre-application consultations with authorities and consultees, and interdisciplinary liaison;
- submission of the application – including the information required for the validation of the planning application, again drawing upon a similarly diverse range of disciplines;
- post-submission negotiation and representation with additional information requirements or alterations to the original scheme, design, mix or layout; and
- post-determination elements including handling or any appeal against refusal or particular conditions, or work towards discharging pre-commencement and other conditions.

These estimates include the cost of paying a planning fee to the local planning authority, where appropriate. The fee, correct at the time of the report and therefore included in the above cost, was £335<sup>2</sup>. This fee has now risen to £385 so calculations represent a slight underestimate.

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<http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsapplication.pdf>

<sup>2</sup> Department for Communities and Local Government (Feb 2010), *A Guide to the Fees for Planning Applications in England*, [http://www.planningportal.gov.uk/uploads/english\\_fees-feb\\_2010.pdf](http://www.planningportal.gov.uk/uploads/english_fees-feb_2010.pdf)

## Notification of change of use for prior approval (where appropriate): cost to applicants

Options (a) and (d) will require prior approval for change of use. Prior approval is a simpler notification process compared to full applications. Local authorities are required to complete processing work in relation to considering a request for prior approval. A centrally set £80 fee is chargeable to allow local authorities to recover their costs. This fee reduces but does not offset the savings from not having to submit a full application.

## Reduction in processing cost of full application: savings to local planning authority

There will be a reduced administrative cost on the local authority to provide a planning application processing service and also savings associated with a reduced number of appeals. Local authorities will also have reduced fee income. Under the principle of cost recovery planning fees this will be offset by an equivalent reduction in workload. If the local authority is required to process a prior approval as part of the permitted development it will be able to charge a cost recovering fee as set out above.

It is difficult to measure exactly the number of change of use applications that will benefit from these savings as local planning authorities are not required to report the number of decisions they make for change of use applications by use class type, only in total. As context the tables below show the current trend of changes between different land use categories as recorded in the Department for Communities and Local Government Land Use Change Statistics<sup>3</sup>. Table 1 shows how much land, in hectares, changes between different land types. Table 2 shows how the number of records reporting change between different land types. The number of reported changes has been used as a proxy for application numbers – this is a reasonable assumption as applications can be made for one or more premises where they are co located. However, this is likely to be an under-estimate because some changes of use will not be recorded as a physical change (see Land Use Statistics data collection). It should be noted that land use change statistics do not separately record the number of occasions on which other land uses become schools. Figures for option d are based on information from the free schools programme.

Assumptions around take up, based the land uses in Table 2, are set out clearly with the costs and benefits for each option. An annual summary table for the central scenario for the costs and benefits of the options described below can be found at Annex 2.

**Table 1:**

**Land Use Change - annual average amount of change, 1999 to 2008**

	<i>hectares</i>						
<b>Previous Use</b>	<b>Agricultural buildings<sup>1</sup></b>	<b>Community buildings</b>	<b>Industry</b>	<b>Offices</b>	<b>Retail</b>	<b>Leisure and recreation</b>	<b>Storage and warehousing</b>
Agricultural buildings	13	2	13	10	5	11	6
Community buildings	1	324	2	3	5	14	1
Industry	0	10	375	17	51	20	33
Offices	0	1	1	25	3	1	1
Retail	0	3	2	3	126	3	1
Leisure and recreation	3	64	7	3	9	160	5
Storage and warehousing	1	3	9	6	13	2	82
<b>Total</b>	<b>18</b>	<b>407</b>	<b>409</b>	<b>68</b>	<b>211</b>	<b>211</b>	<b>128</b>

<sup>1</sup> The Land Use Change Statistics definition may differ from that in the Town and Country Planning Act 1990

<sup>3</sup> DCLG (2011) Land Use Change Statistics: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/11437/1955706.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/11437/1955706.pdf)

**Table 2:****Land Use Change - annual average number of records, 1999 to 2008**

Previous Use	Agricultural buildings <sup>1</sup>	Community buildings	Industry	Offices	Retail	Leisure and recreation	Storage and warehousing
Agricultural buildings	247	10	29	37	18	63	19
Community buildings	3	3265	6	13	18	61	2
Industry	4	25	2369	39	70	19	37
Offices	0	6	2	181	10	2	2
Retail	2	20	7	20	1502	10	5
Leisure and recreation	40	210	12	9	21	1754	6
Storage and warehousing	19	11	24	16	26	6	821
<b>Total</b>	<b>315</b>	<b>3548</b>	<b>2450</b>	<b>315</b>	<b>1664</b>	<b>1913</b>	<b>892</b>

records

<sup>1</sup> The Land Use Change Statistics definition may differ from that in the Town and Country Planning Act 1990**Option 0: Do nothing (baseline)**

There are no new or additional costs and benefits associated with this option as it would maintain the status quo.

**Option 1: The preferred option****Option 1(a): allow agricultural buildings below a specified size threshold to convert to A1, A2, A3, B1, B8, C1 and D2, with a light touch prior approval process for buildings above a set size threshold**

The estimates are based on the assumption that between 74 and 137 (central estimate 106) fewer planning applications per year would be required as a result of the policy. Table 2 sets out how this relates to the number of sites currently changing from agricultural; to retail (18); to office (37); to storage & warehousing (19); and to leisure & recreation uses (63). The range reflects uncertainty around the extent to which leisure and recreation uses, which can range from museums to bowling alleys, might be included within the system for permitted development. The low estimate assumes this will never be the case, the high estimate assumes this will always be the case, whilst the central estimate is the midpoint (50% viz. 32 applications per annum fall under permitted development).

Over ten years the potential average annual benefits to applicants associated with this option are estimated to be between £24,000 and £520,000 (best estimate £148,000), depending on the extent of savings to applicants from not having to obtain planning permission.

Included in the above is the potential fee saving for the applicant, based on the previous application fee of £335. As part of the prior approval the applicant will be required to make a fee payment of £80. Over the ten years the average annual fee payments are likely to be between £7,000 and £12,000 (best estimate £9,000).

On this basis, local authorities in England would lose a total of £28,000 to £52,000 (central estimate £40,000) in fee income but would gain an equivalent amount from the reduced cost of processing planning applications. Any work required under prior approval is expected to be fully offset by the fee payment from applicants as set out above. No net change for local authorities is expected.

Net average annual benefits for the option range between £17,000 and £508,000 (best estimate £139,000). **Ten year present value benefits are estimated to be between £0.1m and £4.3m**

**(central estimate £1.3m).** The consultation did not identify any additional costs and benefits including those associated with any increase in the amount of change of use.

**Option 1(b): increase the thresholds from 235m<sup>2</sup> to 500m<sup>2</sup> for permitted development rights for change of use between B1 and B8 and from B2 to B1 and B8**

Permitted development rights are already available for developments with floor space below 235m<sup>2</sup>. It is estimated that there would be 39 fewer planning applications per annum (see Table 2) as a result of the policy. This is based on the illustrative assumption that one half of the number of sites changing from office to storage (2), industry to office (39) and industry to storage (37) will now fall within the new size threshold.

The potential benefits to applicants associated with no longer having to spend time and resources producing a planning application as a result of this option are estimated to be between £13,000 and £148,000 annually (best estimate of £55,000). As before, the foregone fee is included in the figure above.

On this basis, local authorities in England would forgo approximately £15,000 in planning fees. Assuming that fee income fully compensates planning authorities for the cost of processing applications, this reduction in revenue will be offset by reduced workload.

Overall the option is estimated to generate annual benefits of between £13,000 and £148,000 (best estimate of £55,000). Ten year net present value is estimated to be between £0.1m and £1.3m (central estimate is £0.5m). The consultation did not identify any additional costs and benefits including those associated with any increase in the amount of change of use.

**Option 1(c): allow A, B1 and D2 to convert to A1, A2, A3 and B1 for a temporary period of up to 2 years.**

The estimates here are based on the assumption that there would be 91 less planning applications as a result of the policy. This is based on the number of sites changing to office or retail uses from; community buildings (13 + 18); offices (n/a + 10); retail (20 + n/a); and leisure and recreation (9 + 21) – see Table 2.

The potential benefits to the applicant associated with this option are estimated to be between £30,000 and £345,000 (best estimate of £128,000), depending on the scope for making savings by avoiding the need for planning applications. Once again the fee saving from this measure is included in the figure immediately above.

On this basis, local authorities in England would forgo around £34,000 in planning fees annually. Local planning authorities would gain an equivalent amount from the reduced cost of processing planning applications. No net change for local authorities is expected.

Overall the option is estimated to generate annual benefits of between £30,000 and £345,000 (central: £128,000). Ten year present value benefits are expected to be £0.3m to £2.9m (central estimate is £1.1 m). The consultation did not identify any additional costs and benefits including those associated with any increase in the amount of change of use.

**Option 1(d): allow all uses to become a school including associated minor physical development for a temporary period to allow operation for the first academic year; and allow B1, C1, C2, D1 and D2 to become schools with prior approval for transport and noise**

Persons wishing to change existing premises to schools will benefit from this measure as they will no longer require planning permission. This can result in children having improved access to education and schools would be able to respond to local demand. This would in turn, have much longer-term benefits to the wider community.

The Land Use Change Statistics do not record the number of changes to school use. Schools currently fall within the Non Residential Institution use category and the Community land use change category (Table 3). In order to estimate the number of change of use applications to schools (state funded only), we have drawn on information about planning submissions for free schools in waves 1 and 2<sup>4</sup>. There were 5 applications solely for change of use and there were 32 applications for change of use that included operational development (over the two year period)<sup>5</sup>.

On this basis it is assumed there are likely to be between 3 and 16 (9 central) applications annually that benefit from the provision.

The potential benefit to the applicant associated with this option is estimated to be between £1,000 and £61,000 annually. As for all other measures, the payment of a prior approval fee will reduce this saving by less than £1,000 in all scenarios.

Local authorities will also benefit – from a consequential reduction in administrative activities – although this gain is expected to be offset by a reduction in fee income of between £1,000 and £6,000 as fees are set on a cost recovery basis.

Overall the option is estimated to generate annual benefits of between £1,000 and £60,000 (central: £12,000). Ten year present value benefits are expected to be £0.0m to £0.5m (central estimate is £0.1 m).

### **The wider economic impact of reducing the costs of change of use (Options a, b, c and d)**

No estimates of the economic benefit in these particular instances were made available in the consultation. However, it is widely acknowledged that a planning restriction on change of use will create an economic cost that would not be present without the restriction, see Nathan and Overman (What We Know (and Don't Know) About the Links between Planning and Economic Performance. 2011). Restricting change of use between existing buildings by requiring an applicant to seek consent introduces a transaction cost. This transaction cost increases the generalised cost of changing the use of an existing building. As costs are higher than just the costs of the non planning work, some building owners will be deterred from making a switch to a more productive use. This represents a cost to society.

Where additional uses are permitted, premises will be allocated to the best available use (determined by the market rent). In the same paper Nathan and Overman discuss how this type of planning restriction lowers the levels of business investment in an area by preventing developing. The changes proposed here, will at the margin, reduce development costs, providing an economic benefit.

### **Risks and assumptions**

The options are modelled using the number and cost of applications for each development type by using categories used in Land Use Change Statistics as proxy indicators for Use Class Orders. The table below presents this in detail.

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<sup>4</sup> Waves 1 and 2 have applications for 2011 and 2012.

<sup>5</sup> Department for Education

**Table 3**

<b>Land Use Change Category</b>	<b>Use Class Order</b>
Agricultural buildings (B)	Agricultural buildings
Retail (K)	Shops (A1), Restaurants and cafes (A3), Drinking Establishments (A4), Hot Food Takeaways (A5)
Offices (J)	Financial and Professional Services (A2) and Business (B1)
Storage and Warehousing (S)	Storage or distribution (B8)
Industry (I)	General Industry (B2)
Community Buildings (C)	Non-residential institutions (D1)
Leisure and recreational buildings (L) and Outdoor recreation (O)	Assembly and Leisure (D2)

It is assumed here that a site level change, as reported in Land Use Change Statistics, is comparable to a planning application (which is likely to be an underestimate). It is also assumed that the number of changes taking place over the 10 year period is going to increase in line with economic growth<sup>6</sup> based on observed trends over the past ten years<sup>7</sup>, and the growth in these applications is displayed in Annex 2;

The cost of a planning application can vary for the applicant. The Arup report finds that the average cost of a change of use planning application is around £1,250 and could vary between £290 and £3,370. As set out on page six this includes resource, time and fee costs that are specific to the requirement to seek planning consent.

A change of use planning application fee is £335 (this should be captured in the costs to applicants – however fees have increased to £385 since the report so there will be a slight under estimate). In order to ensure consistency between savings to applicants and transfers affecting local authorities, the fee schedule from the time of the report is used to calculate the local authority transfer. Local authorities may benefit from this policy due to the reduction in administrative costs required for the planning process as a result of having a lower level of planning applications, however this benefit will be offset by a decrease in fee income from planning applications.

As already noted there may be wider costs and benefits which this IA does not currently capture. This is a validation stage impact assessment, and therefore considers the costs and benefits to business of our proposals

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

Option 1 with implementation of strands (a) to (d) offers the most benefit to the applicant. Options (a), (b) and (c) make changes that will directly affects the use classes predominantly used by business (for example, offices or storage). Option (d), although deregulatory, is not included as a direct benefit as it will make it easier to convert building to schools rather than business use.

The combined average annual savings accruing to business are calculated by the sum of the administrative, resource and time cost savings of no longer applying for planning permission and no longer paying an application fee after accounting for the cost of paying the appropriate prior approval fee. The average annual benefit to business is expected to be around £0.3m (£0.1m and £1.0m). Ten year present value is estimated at £2.7m (£0.5m - £8.5m).

**The Equivalent Annual Net Cost to Business (2009 prices) is £0.3m.**

<sup>6</sup> Office for Budget Responsibility (2013) Economic and Fiscal Outlook: <http://cdn.budgetresponsibility.independent.gov.uk/March-2013-EFO-44734674673453.pdf>

<sup>7</sup> See DCLG live table P120: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/70033/TableP120.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/70033/TableP120.xls)

## Annex 1: Summary Guide to Use Classes Order and Permitted Changes of Use

Use Classes Order 1987 including Amendments	Description	Conditions (See Note 1)
A1 Shops	Shops, retail warehouses, hairdressers, undertakers, travel and ticket agencies, post offices, pet shops, sandwich bars, showrooms, domestic hire shops, funeral directors etc.	No permitted change except to mixed use as a shop and single flat (see note 2) and vice versa
A2	Financial and Professional Services Banks, building societies, estate and employment agencies, professional and financial services, betting offices	Permitted change to A1 where a ground floor display window exists. Also as above to a mixed use as a single flat and A2 use and vice versa (see note 2)
A3 Restaurants and Cafes	Restaurants, snack bars, cafes	Permitted change to A1 or A2
A4 Drinking Establishments	Pubs and bars	Permitted change to A1, A2, A3
A5 Hot Food Takeaways	Hot food takeaway	Permitted change to A1, A2, A3
B1 Business (a)	Offices, not within A2	Permitted change to B8 where no more than 235m <sup>2</sup>
(b)	Research and development, studios, laboratories, high technology	Permitted change to B8 where no more than 235m <sup>2</sup>
(c)	Light Industry	Permitted change to B8 where no more than 235m <sup>2</sup>
B2 General Industry (See Note 4)	General Industry	Permitted change to B1 or B8 B8 where no more than 235m <sup>2</sup>
B8 Storage or Distribution	Wholesale warehouses, repositories	Permitted change to B1 where no more than 235m <sup>2</sup>
C1 Hotels	Hotels, boarding and guest houses	No permitted change
C2 Residential Institutions	Residential schools and colleges, hospitals and convalescent/nursing homes	No permitted change
C2A Secure Residential Institution	Use for a provision of secure residential accommodation, including use as a prison, young offenders institution, detention centre, secure training centre, custody centre, short term holding centre, secure hospital, secure local authority accommodation or use as a military barracks	No permitted change
C3 Dwelling Houses	Use as a dwelling house (whether or not as a sole or main residence by: a) a single person, or by people forming a single household; b) not more than 6 residents living together as a single household where care is provided for residents: or c) not more than 6 residents living together as a single household where no care is provided (other than a use within C4)	Permitted change to C4
C4 Houses in Multiple Occupation	Use of a dwelling house by not more than 6 residents as a house of multiple occupation (see note 4).	Permitted change to C3
D1 Non-residential Institutions	Places of worship, church halls, clinics, health centres, crèches, day nurseries, consulting rooms, museums, public halls, libraries, art galleries, exhibition halls, law court, Non residential education and training centres	No permitted change
D2 Assembly and Leisure	Cinemas, music and concert halls, dance, sports halls, baths, skating rinks, gymnasiums. Other indoor and outdoor sports and leisure uses, bingo halls	No permitted change
Sui Generis (See Note 3)	Theatres, houses in multiple paying occupation, hostels providing no significant element of care, scrap yards. Petrol filling stations and shops selling and/or displaying motor vehicles. Retail warehouse clubs, nightclubs, launderettes, dry cleaners, taxi businesses, amusement centres Casinos	No permitted change  Permitted Change - Sui Generis to D2
<p>1. The Town and Country Planning (Use Classes) Order 1987 is the principal order which has been subject to a number of subsequent amendments. Changes within a specific class do not require planning permission provided that the use subsists, the planning permission exists and no restrictive condition is attached. The 2006 amendments moved casinos from D2 to Sui Generis, introduced C2A for secure residential institutions and law court as a D1 specified use. The 2010 amendments alter C3 and introduce a C4 use class. The Town and Country Planning (General Permitted Development) (Amendment) (No2) (England) Order 2010 (SI No 2134) introduced a permitted change from C3 to C4.</p> <p>2. Any operational development, such as effecting external appearance would, requires consent. Ground floor rooms with a shop window would need consent to change the whole or part of the ground floor for use as a single flat. For a further explanation see Town and Country Planning (General Permitted Development) Order 1995.</p> <p>3. Sui Generis is a use not within a specific class.</p> <p>4. Definition of a House in Multiple Occupation is as in Section 254 of the Housing Act 2004. Broadly this is when tenanted living accommodation is occupied as an only or main residence, where the occupiers are not related and share one or more basic amenity.</p>		

## Annex 2: Summary of annual applications, costs and benefits over the ten year appraisal period

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	
<b>Growth Rate</b>	<b>0.6%</b>	<b>1.8%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>	
<b>A</b>	Applications	106	108	111	114	117	120	123	126	130	133
	Admin Saving (+ Developers)	£133,000	£135,000	£138,000	£142,000	£146,000	£150,000	£154,000	£158,000	£162,000	£167,000
	Fee Loss (Transfer LPA)	£36,000	£36,000	£37,000	£38,000	£39,000	£40,000	£41,000	£42,000	£43,000	£45,000
	Prior Approval Fee ( - Developers)	£8,000	£9,000	£9,000	£9,000	£9,000	£10,000	£10,000	£10,000	£10,000	£11,000
<b>B</b>	Applications	39	40	41	42	43	44	45	47	48	49
	Admin Saving (+ Developers)	£49,000	£50,000	£51,000	£52,000	£54,000	£55,000	£57,000	£58,000	£60,000	£62,000
	Fee Loss (Transfer LPA)	£13,000	£13,000	£14,000	£14,000	£14,000	£15,000	£15,000	£16,000	£16,000	£17,000
	Prior Approval Fee ( - Developers)	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
<b>C</b>	Applications	92	93	95	98	101	103	106	109	112	115
	Admin Saving (+ Developers)	£114,000	£116,000	£119,000	£122,000	£126,000	£129,000	£133,000	£136,000	£140,000	£144,000
	Fee Loss (Transfer LPA)	£31,000	£31,000	£32,000	£33,000	£34,000	£35,000	£36,000	£37,000	£38,000	£39,000
	Prior Approval Fee ( - Developers)	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
<b>D</b>	Applications	10	10	10	10	11	11	11	11	12	12
	Admin Saving (+ Developers)	£12,000	£12,000	£12,000	£13,000	£13,000	£13,000	£14,000	£14,000	£15,000	£15,000
	Fee Loss (Transfer LPA)	£3,000	£3,000	£3,000	£3,000	£4,000	£4,000	£4,000	£4,000	£4,000	£4,000
	Prior Approval Fee ( - Developers)	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000

Central assumptions: Admin cost = £1,250; Fee loss = £335; and Prior Approval Fee (where charged, A and D) = £80