

Creating new homes through the regeneration of vacant and redundant buildings

Lead department	Ministry of Housing, Communities and Local Government
Summary of proposal	The government has introduced a new national permitted development right to support demolition of certain vacant and redundant buildings built before 1990 to be rebuilt as residential, subject to local consideration of key planning matters under a prior approval process.
Submission type	Impact assessment (IA) – 23 December 2020
Legislation type	Secondary legislation
Implementation date	1 September 2020
Policy stage	Final
RPC reference	RPC-MHCLG-5042(1)
Opinion type	Formal
Date of issue	12 February 2021

RPC opinion

Rating ¹	RPC opinion
Fit for purpose	This is a well-written and clearly structured IA. The IA uses proportionate evidence and analysis to support its estimates of the impact on business. It also provides a satisfactory SaMBA of the measure.

Business impact target assessment

	Department assessment	RPC validated
Classification	Qualifying provision (OUT)	Qualifying provision (OUT)
Equivalent annual net direct cost to business (EANDCB)	–£9.2 million	–£9.2 million (2019 prices, 2020 pv)
Business impact target (BIT) score	Not provided	£46.0 million
Business net present value	£79.6 million	
Overall net present value	£79.6 million	

¹ The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). The RPC rating is fit for purpose or not fit for purpose.

RPC summary

Category	Quality	RPC comments
EANDCB	Green	The EANDCB is based upon a proportionate level of evidence and analysis.
Small and micro business assessment (SaMBA)	Green	The measure is directly beneficial to business and the IA explains that smaller sites and building companies might be especially likely to benefit. There is also a discussion around potential indirect adverse impacts on small business, e.g small businesses looking for office accommodation, explaining why these impacts are unlikely to be significant.
Rationale and options	Satisfactory	The problem under consideration and rationale for government intervention is explained clearly, where the government has decided to streamline the planning process and provide for greater planning certainty. The IA explains that the measure aims to reduce imperfect information and transition costs. The IA would benefit significantly from discussing what other options were considered.
Cost-benefit analysis	Good	The Department makes good use of available data and lays out the calculations and assumptions out in a helpful step by step way, laying out a proportionate approach given the modest expected impact of the measure.
Wider impacts	Satisfactory	The IA includes a reasonable discussion of wider impacts.
Monitoring and evaluation plan	Weak	The IA states that the measure will be monitored as part of the Government's package of planning reforms to support economic recovery. The IA would benefit significantly from setting out how this specific measure will be monitored and evaluated.

Policy detail

Description of proposal

On 1 September 2020 a new national permitted development right came into force, to support demolition of certain vacant and redundant buildings built before 1990 to be rebuilt as residential, subject to local consideration of key planning matters under a prior approval process.

The aim of the right is to support regeneration through the redevelopment of vacant and redundant buildings that no longer effectively serve their original purpose, make effective use of previously developed sites, supporting housing delivery and increase housing density. It will support economic recovery through providing a simplified planning process which provides greater planning certainty to developers.

Impacts of proposal

The measure is intended to simplify the planning process and bring greater planning certainty, resulting in some additional residential development. The main impact on business is expected to be an increase in land values. There are also smaller savings in planning fees and associated administrative costs.

EANDCB

The RPC rates the EANDCB analysis as **green**.

The EANDCB figure is based upon proportionate evidence and analysis. The Department estimates the annual equivalent net direct benefit to businesses (developers) at £9.2m per year. This consists of:

- (i) An increase in the value of land resulting from greater planning certainty. The estimated Land Value Uplift (LVU) is estimated at £25.8m-£183.3m over ten years.
- (ii) Savings in reduced planning fees and administrative costs, estimated at £0.9m-£5.0m over ten years.

The IA's step-by-step approach to setting out the calculation is particularly helpful (see the calculations sub-heading under Cost-Benefit Analysis).

SaMBA

The RPC rates the SaMBA as **green**.

The IA explains that smaller sites in scope of the measure are disproportionately more likely to be built by smaller building companies, and therefore they are more likely to benefit from this measure.

The IA provides a good discussion around potential indirect adverse impacts on other small businesses, e.g those looking for office accommodation, explaining why these impacts are unlikely to be significant. The IA also notes that, since the buildings are already vacant, there is no immediate displacement of businesses that may lead to increased pressure on rents.

Rationale and options

The RPC considers the rationale and options to be **satisfactory**.

The problem under consideration and rationale for government intervention is clear, with the government being committed to boost regeneration, supporting high streets and town centres and delivering housing. The intention is to simplify and speed the planning system, removing the need for a full planning application, and therefore reduce bureaucracy and cost.

There is only one option in this IA, other than the 'do nothing' option. The RPC expects Departments to consider policy options for securing the solution to the problem stated, in order to ensure that the policy follows an optimal path. This IA would benefit significantly from discussing what other options were considered in addition to the other related proposals to support regeneration through the redevelopment and to boost the house stock. The IA would also benefit from summarising information from the consultation.

Cost-benefit analysis

The RPC considers the cost-benefit analysis to be **good**.

Data

The Department makes good use of Sqwyre data (which holds data on office, retail, leisure and industrial premises within England and Wales) to arrive at an estimate of how many vacant buildings might be demolished and rebuilt under the measure, with a validation check done using Ordnance Survey data. The IA also uses English Housing Survey data to estimate the number C3 residential block of flats and how many are vacant.

Calculations

The RPC welcomes the way the department lays its calculations and assumptions out step-by-step, showing a systematic approach and clarity of presentation. The evidence and analysis are proportionate given the relatively modest expected impact of the measure.

The IA estimates 22,200 – 26,300 buildings being in scope, with a best estimate of around 18,000 dwellings using the new Permitted Development Rights over 10 years. The analysis accounts for the fact that the stock of vacant buildings may change over time due to vacant buildings being demolished and rebuilt using the new PDR, as well as new vacant buildings added over the appraisal period. Providing greater planning certainty and reducing the planning burden and costs on developers may result in additional development that could give rise to land value

uplift. The Land Value Uplift (LVU) is essentially a measure of the increase in welfare that arises from more efficient use of land.

The Department says that the total LVU has been estimated but it has not been possible to quantify on a per block basis, due to there being a lack of information on the stock of UK buildings. The low to high figures of the overall Net Land Value Uplift range from £25.8m to £183m over ten years. The calculations use an assumed 6%-8% increase in the certainty of planning applications, consistent with previous PDR impact assessments. The IA acknowledges this as a particular uncertainty (see 'risks and assumptions' section) but would benefit from discussing this further (see below).

Non-monetised benefits

The Department discusses a number of non-monetised benefits, which include supporting the construction industry, increasing certainty in the market for housing, as well as a scope for positive externalities to be realised from the development of additional housing (which the IA states could be through increased property values of other properties in the area).

Risks and uncertainty

The IA provides a good discussion of risk and uncertainty in its estimates. The assumption of 6-8% increased certainty of planning application is consistent with previous PDR IAs. The IA explains that there is significant uncertainty, due to not being able to sense check the assumption using data.

Another uncertain assumption is the take up of the new PDR as a proportion of the buildings that are eligible. The IA uses previous take up assumptions of other PDRs, although the demolish and rebuild PDR is said to be different to other PDRs, as demolition is a bigger task in terms of construction and requires specialist construction professionals. A range of the take up was included to reflect the uncertainty of assumption.

The IA also discusses uncertainty on the size of the new purpose-built residential blocks of flats built using the new PDR, as well as uncertainty about the size of the new units. Ranges are presented around central scenario for the assumptions that are used to estimate the average size of new dwellings.

In terms of modelling the LVU, the IA assumes the existing use value is the average value of brownfield sites. The Department notes that this could underestimate the LVU, given that the buildings will be redundant and vacant.

Interactions with other 'Building Up' policies

The department has recently created a number of elements of the same policy to extend PDRs for different buildings, in order to solve this rationale. Rather than presenting the total effect of the different elements of the policy in a single IA, the Department has provided an IA for each element separately. Therefore, the department could have provided additional reassurance on interaction with other measures, e.g the 'building up' measures, to demonstrate that there is no double counting or impacts that will not be accounted for.

Impacts on local area and public sector

The IA would benefit from addressing further the possible impacts on the local area and local authorities if the proposal resulted in a greater number of residents, and without Section 106's development contributions to mitigate against any externalities. This could set out the impacts on local roads schools and other amenities. Further to this, the IA could set out the impacts to local authorities as a result of the reduction in fees.

Evidence for assumptions

The IA would benefit in places from providing more supporting evidence for assumptions used, for example, the modelling assumption of the four storeys per building on page 10.

There could have also been a further explanation on the per dwelling Land Value Uplift and why it is appropriate here. The IA would benefit from setting out explicitly the assumed LVU per dwelling. (Calculated from the figures in table 5, this appears to be around £60,000, which would be in line with that assumed in the recent 'building up' IAs). The Department could have described how the value relates to a potential discounted stream of rental revenues provided by the enhanced asset. More generally, the IA would benefit from greater detail on the land value uplift (as per the technical annex in the office to residential IA) and greater cross-comparison between the two IAs.

In particular, the IA would benefit from further analysis underpinning the 6% to 8% assumed increase in the certainty of planning application approval with the introduction of a permitted development right. Variants of this assumption have been included in other Departmental 'Building Up' IAs without clear external verification, apart from an internal assessment.

Finally, the IA would benefit from discussing whether there was any evidence from a PIR on the office to residential measure.

Wider impacts

The RPC considers the analysis of wider impacts to be **satisfactory**.

The IA provides a reasonable discussion on COVID-19 impacts, stating recent evidence showing that there is a severe short-term negative impact on the housebuilding industry. It also discusses COVID-19's impact on vacancy rates, which is significant due to a structural decrease in demand for office spaces related to the economic downturn and social distancing measures.

It also explains how a densification of 'brownfield' land may provide amenity value, but there may be some privacy/crowding risks.

The IA would benefit from more discussion of possible scenarios from the long-term effects of COVID restrictions on the economy, such as a potential shift away from city-centre to suburban residential accommodation. Testing the policy under such scenarios could validate the assessment under realistic different future projections.

Monitoring and evaluation plan

The RPC considers the monitoring and evaluation plan to be **weak**.

The IA states that a specific review clause for the measure has not been included and that the measure will be monitored as part of the Government's package of planning reforms to support economic recovery.

The IA would benefit from setting out how this specific measure will be monitored and evaluated. There also may be a scope for an evaluation looking beyond housing delivery and the benefits to local communities (including impacts on business and the commercial rents as set out in the IA).

Other comments

Finally, the Department could have tried to make the IA easier to follow for someone with no prior knowledge of the subject matter, e.g. through explaining some acronyms and defining some of the terms used, such as class of buildings.

For further information, please contact regulatoryenquiries@rpc.gov.uk.