



Department for
Communities and
Local Government

Extending permitted development rights for homeowners and businesses

Impact assessment

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Title: INCREASED PERMITTED DEVELOPMENT RIGHTS FOR HOUSEHOLDER AND BUSINESS EXTENSIONS IA No: Lead department or agency: Department for Communities and Local Government Other departments or agencies:	Impact Assessment (IA)		
	Date: 9 May 2013		
	Stage: Validation		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
Contact for enquiries: Helen Marks			
Summary: Intervention and Options			RPC Opinion: Validation

Cost of Preferred (or more likely) Option			
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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?	
£114m	£9m.	-£3m	Yes	Out

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

The policy issue under consideration is whether the thresholds that govern the available permitted development rights for householder extensions and certain non-domestic extensions and new buildings could be increased for a limited period. This would allow more development to take place without the requirement to submit a full application for planning permission and provide an incentive for developers to carry out works in the short term, rather than delay. There are potential benefits for businesses who carry out development and businesses wishing to expand. There are also potential growth benefits where development takes place that would not otherwise have done so due to the requirement to obtain local authority planning permission.

- What are the policy objectives and the intended effects?**
- A boost for growth by incentivising applicants to carry out work in the short term, rather than delaying, and where development takes place that would not otherwise have done so due to the requirement to obtain local authority planning permission
 - Benefits for businesses who carry out development and businesses wishing to expand. Business will no longer be required to prepare planning applications for certain development. Business will also make fee savings from no longer submitting planning applications
 - Reducing the need for local authority assessment of development with more limited impacts to allow them to concentrate on larger development of more strategic benefit to their local area.

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

Do Nothing : make no changes to permitted development rights.

Option 1: deregulate by increasing the permitted development thresholds for householder extensions and certain non-domestic extensions and new buildings.

Will the policy be reviewed? It will be reviewed.

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:

Summary: Analysis & Evidence

Policy Option 1

Description: extending permitted development rights for householder and business extensions will enable families to extend and improve their homes, and for businesses to expand without having to relocate. In turn this is likely to increase activity for local firms. This 3-year change to permitted development rights will reduce unnecessary costs and bureaucracy, and stimulate growth by encouraging homeowners and businesses to bring forward their improvement works.

FULL ECONOMIC ASSESSMENT¹

Price Base Year 2013	Present Value Base Year 2013	Time Period Years 3	Net Benefit (Present Value) (£m)		
			Low: 75	High: 153	Best Estimate: 114

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		0.3	1.0
High		0.7	2.0
Best Estimate		0.5	1.4

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

Opportunity costs to householders of neighbours' consultation scheme approximately £0.5m per annum associated with time required for neighbours' consultation scheme process. This cost is fully offset by the much larger savings from no longer submitting a full planning application.

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

No costs to local authorities are envisaged. Local authorities will benefit from reduced applications, freeing-up resources to be employed.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		26.5	76.7
High		53.0	153.5
Best Estimate		39.7	115.2

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

- Benefits to householders who avoid full planning application fees approximately £38m per annum; and
- Benefits to businesses who avoid full planning application fees approximately £3m per annum;

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

- Benefits to construction firms and local communities associated with higher levels of development from increased construction/larger extensions; and
- Benefits to householders and businesses who are encouraged to build extensions which better match their requirements, versus what they would have built under the current system.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

- Average additional costs imposed by the planning system on householder applications are £1,190;
- Average additional costs imposed by the planning system on commercial and retail businesses are between £1400 and £3500;
- Between 20,000 and 40,000 householder developments will no longer be subject to planning permission requirements.
- Between 960 and 1,920 commercial and retail developments will no longer be subject to planning requirements; and

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) (2009 prices and 2010 discount base year) £m:			In scope of One-In Two-Out?	Measure qualifies as
Costs: 0	Benefits: 3	Net: -3	YES	OUT

¹ Note that numbers may not sum completely due to rounding.

Evidence Base (for summary sheets)

The planning system provides a mechanism through which the impacts and external costs of development to third parties can be taken into consideration when new development is proposed. The planning system plays an important role in promoting the efficient use of land and considering and mitigating the adverse impacts that development can have on third parties. However, applying for planning permission places an administrative burden on business, estimated at around £1.1 billion in 2006².

Where a development has little or limited adverse impact or the impacts can be controlled in a way that does not require assessment of each individual proposal, the requirement to obtain planning permission can place burdens on business and others that are out of proportion with the potential impacts of the development.

The planning system aims to achieve proportionality by exercising different degrees of control over types of development with different degrees of impact. The requirement for local authority scrutiny of proposals with little or limited adverse impact is removed using permitted development rights. Permitted development rights are a deregulatory tool, established nationally, and use a 'general impacts' based approach to grant automatic planning permission for development that complies with limitations and conditions that are set out in the parts to Schedule 2 of the Town and Country Planning (General Permitted Development) Order 1995. The General Permitted Development Order has been amended several times as new rights have been added or existing rights have been changed.

Policy issue under consideration and objectives

The policy issue under consideration is whether the thresholds that govern the available permitted development rights for householder extensions and certain non domestic extensions and new buildings could be increased for a limited period. This would allow more development to take place without the requirement for local authority planning permission and provide an incentive for developers to carry out works in the short term, rather than delay. There would be benefits for businesses that carry out development and businesses wishing to expand. There are also potential growth benefits where development takes place that would not otherwise have done so due to the requirement to obtain local authority planning permission.

The relevant parts of Schedule 2 of the Town and Country Planning (General Permitted Development) Order 1995 that are being considered are:

- Part 1 (Development within the curtilage of a dwellinghouse)
- Part 8 (Industrial and warehouse development)
- Part 41 (Office buildings)
- Part 42 (Shops or catering, financial or professional services establishments)

The policy objective is to deregulate by removing more development from the requirement for detailed local authority assessment of proposals by increasing the permitted development thresholds for householder extensions and certain non domestic extensions and new buildings for a three year period.

The intended effects of the proposal are to reduce the burden of the planning system on business and householders to boost growth. Specific effects include:

² <http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/corporate/pdf/regulation-burden.pdf>

- A boost for growth by incentivising developers to carry out work in the short term, rather than delaying, by development taking place that would not otherwise have done so due to the requirement to obtain local authority planning permission;
- Benefits for businesses who carry out development and businesses wishing to expand. Business will no longer be required to prepare planning applications for certain development, and will also make fee savings from no longer submitting planning applications; and
- Reducing the need for local authority assessment of planning applications for development with more limited impacts to allow them to concentrate on larger development of more strategic benefit to their local area.

Current position

Presently, development that exceeds the existing thresholds set out in the relevant part of the Order is likely to require an application for planning permission, with an associated fee and other costs payable by the applicant. The requirement for planning permission can be seen as one of the disincentives to undertake development, particularly at the margins where the perceived benefits of the development are relatively low.

Options for change

Two options are considered.

Do nothing: make no changes to permitted development rights.

Option 1 –deregulate by increasing the permitted development thresholds for householder extensions and certain non- domestic extensions and new buildings.

Householder extensions (Part 1)

At present, the permitted development rights in Part 1 allow single-storey rear extensions (including conservatories) of 4m depth from the rear wall for a detached house, and 3m for any other type of house. We propose that outside of protected areas (including conservation areas, National Parks and Areas of Outstanding Natural Beauty) and sites of special scientific interest, these thresholds should be extended to 8m for a detached house, and 6m for any other type of house for a three year period. Other limitations and conditions in Part 1 would still apply to reduce the risk of adverse impacts on neighbouring properties and the wider area. This includes requirements on the height of extensions and their distances from boundaries.

We propose that single-storey rear extensions which fall between the existing limits and the new limits will be subject to a light-touch neighbours' consultation scheme with regard to the impact on the amenity of adjoining properties. If immediate neighbours who are notified object to the proposed extension the local planning authority will determine whether its impact on adjoining properties is acceptable or not.

Extensions to shops and financial/professional services establishments (Part 42)

Shops and financial/professional services establishments are currently able to extend their premises by up to 50m², provided that this does not increase the gross floor space of the original building by more than 25%, and provided that the extension is no higher than 4m. We propose that outside of protected areas and sites of special scientific interest, these limits should be raised to 100m² and 50% for a three year period. We also propose that they should be able to build up to the boundary of the premises, except where the boundary is with a residential property where a 2m gap should be left. Other limitations and conditions would still apply.

Office extensions (Part 41)

Offices are currently able to extend their premises by up to 50m², provided that this does not increase the gross floor space of the original building by more than 25%, and subject to various other limitations. We propose that outside of protected areas and sites of special scientific interest, these limits should be raised to 100m² and 50% for a three year period. Other limitations and conditions would still apply.

Industrial and warehouse buildings (Part 8)

At present, new industrial buildings or warehouses which are up to 100m² in size can be built within the curtilage of an existing industrial building or warehouse, provided that the floor space of the original building would not be exceeded by more than 25% in non-protected areas and sites of special scientific interest. We propose that in non-protected areas, these limits should be raised to 200m² for a three year period.

Option 2 is preferred as it would meet the policy objectives outlined above.

Consultation

A consultation on these measures was carried out in November 2012, which was accompanied by a consultation stage impact assessment. Views expressed in that consultation indicated that the measures for non domestic extensions and new buildings had the potential to boost economic activity. Views expressed indicated concern that neighbours were unable to comment on the impact of larger domestic extensions on the amenity of their property. A light-touch neighbours' consultation scheme is being introduced for these larger extensions addressing comments received.

Sectors and groups affected

The main sectors and groups most likely to be affected by the proposal are:

- Home and business owners wishing to extend their property (particularly those who are encouraged to do so through reduced planning costs and timescales);
- Construction businesses that carry out development work on behalf of home and business owners wishing to extend their property;
- Planning services/staff at local authorities who will determine fewer applications for planning permission; and
- Third parties who live or work in the vicinity of new development.

Cost-Benefit Analysis

Do nothing

The planning application process would continue to apply for those who do not meet the thresholds to benefit from permitted development rights. Those wishing to develop outside existing thresholds would continue to pay planning application fees and the administrative costs of making a planning application, and these costs may deter development and the growth and other benefits associated with Option 1.

Option 1 – Changing the permitted development thresholds

In making the assessment of costs and benefits it is important to distinguish between:

- (1) Planning applications that would have happened under the 'do nothing' scenario and therefore benefit from administration and fee savings related to the application process; and
- (2) Cases where development would not have occurred but for this policy change i.e. the transaction and uncertainty costs imposed by the planning system were at the margin sufficient to prevent development at the margin.

We identify and describe all sources of costs and benefits below and have attempted to quantify these using illustrative scenarios wherever this is possible. The analysis is split into two sections: Section A – Householder Extensions; and Section B – Business Development.

Householder Extensions (Section A)

Benefits to applicants: savings to existing householder applicants from no longer submitting a full planning application

Householders considering building an extension to their home may make a decision about whether or not to proceed on the basis of whether the expected costs of doing so exceed the expected benefits that the extension will bring. The changes to permitted development rights in relation to single-storey rear extensions are designed to reduce the costs (in terms of transaction costs and uncertainty) associated with this type of development. Specifically expected costs will be reduced by lowering the planning application costs incurred by a household. This will affect households at the margin i.e. those for whom the costs of an extension are marginally higher than the benefits of doing so.

Under the existing permitted development rights, which can be referred to as the 'do nothing' case, applicants are certain that they will incur planning application costs, including the fee for householder planning applications. Under these proposals the applicant is able to make use of a low cost notification ie the cost associated with notifying the local authority of construction plans. Here we look at the types (and level) of planning-related costs that a householder might expect to incur now and under these proposals.

Research commissioned by the Department found the cost of preparing and submitting an application for householder development is between £150 and £2,900³. The researchers report that the wide range reflects the bespoke nature of individual planning applications and the range of work currently required to support a householder application. The (mean) average cost of £1,190 is used for a central estimate of savings from removing the requirement for a full planning application for certain types of extensions. The costs identified were those which were specific or additional, relating to the requirement to apply for planning permission as distinct from those other costs associated with building an extension. 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);
- 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;

³ DCLG (2009) Benchmarking the costs to applicants of submitting a planning application: <http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/planningandbuilding/pdf/benchmarkingcostsapplication.pdf>

- 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.

Some of the costs identified above will be applicable to householder developments, and the list exists simply to inform the reader of some of the *additional costs* that the planning process can impose on developers such as householders.

The number of household extensions constructed is not centrally recorded. However, evidence derived from the 2006/07 the Survey of Building Control Bodies (2008) indicates that around 135,000 extensions were built. If these numbers rise (and fall) in line with householder planning applications (which are centrally recorded), then these figures can be adjusted down to reflect falling numbers of householder developments to arrive at a 2011/12 estimate. In 2006/07 there were around 300,000 householder developments, but in 2011/12 this had fallen to 195,000. On this basis, we estimate that there were around 90,000 extensions in England in 2011/12 which would be captured by the Survey of Building Control i.e. a fall of around 35%.

Since the original figure of 135,000 extensions excludes developments which are not covered by building regulations – the majority of conservatories for example are not covered by building regulations - it seems likely that this is lower than the true number of extensions. AMA research⁴ suggests that in 2011 around 94,000 conservatories were built, and along with evidence collected by UCL,⁵ suggesting that around 86% of conservatories would not be captured by building regulations suggests that around 80,000 (i.e. 86% of 94,000) conservatories are not captured as part of the Survey of Building Control Bodies (2008): combining these figures suggests that in 2011/12 there were around 170,000 extensions.

There are no data available to suggest how many extensions are constructed under permitted development rights: permitted development rights apply to both single storey and two storey extensions. Evidence suggests that rear extensions are the most common type of extension⁶ followed by side extensions and then front extensions: this seems reasonable since front extensions do not have permitted development status and side extensions cannot take place on terraced properties – as a result our illustration assumes that no less than 50% of extensions are built at the rear of the property i.e. 85,000 in 2011/12.⁷

Amongst these (rear) extensions, those which fall within existing permitted development rights are the most common types of extension⁸. If 50-75% of rear extensions built in 2011/12 were constructed as permitted development, then between 21,500 and 42,000 were constructed after obtaining permission through a full planning application. Allowing for the likelihood that a small proportion of these extensions will remain outside of the scope of permitted development following the extension of rights, this range is adjusted downwards to between 20,000 and 40,000.

4 The estimate for 90,000 conservatories in 2011 is supported by findings by AMA research. AMA Research is a specialist provider of market research to the UK building and construction industries: http://www.amaresearch.co.uk/conservatories_12s.html

5 UCL: Trends in Conservatory Use: A Comparison Between the 1991 Conservatory Association Survey and the UCL 2004 Survey. Conservatories are typically exempt from the Building Regulations provided safety glass is used and they are thermally separated from the main building. The survey was based on responses from over 2000 householders in London Boroughs.

6 Hartlepool Borough Council: Supplementary note 5

7 Side extensions must account for less than 33% of extensions, and front extensions must be less than the proportion of the market accounted for by side extensions.

8 This is supported by developers: <http://www.ashvilleinc.com/home-extensions/>

At present the approval rate for householder development is 89%.⁹ If this approval rate specifically applies to extensions which meet the criteria for permitted development then it is likely that at least 89% of householders wishing to extend their house would therefore not be required to submit a full planning application but would be subject to the neighbours' consultation scheme. In reality this figure is potentially greater than 89% since excluded from it will be extensions outside of the revised permitted development limits, and unlike a full planning application with large numbers of material considerations, the local planning authority will only consider the acceptability of the impact of the proposed extension on the amenity of immediately adjoining properties. Whilst we cannot estimate with certainty the proportion of applicants who will not be required to submit a full application for planning permission, this must be greater than 89% and less than 100%: given that there is currently a wide range of material considerations. We use an illustration where the number of approvals for extensions falling within the new permitted development is 95%. This scenario provides us with a reasoned assumption upon which to build our analysis.

Householders who are no longer required to submit a full planning application will benefit to the extent to which costs of the neighbours' consultation scheme are lower than the costs of an application for planning permission: the following provides an illustration of the types of costs which might be incurred by an applicant under the new system of permitted development;

- i. Notification costs: applicants will need to submit a plan and written description of proposals to the local authority. The plans which will need to be submitted as part of the notification process are unlikely to be additional to the normal design processes that any householder will undertake when designing an extension or seeking building standards approval. The preparation of supplementary documentation to submit to the local authority should involve very little time (opportunity cost) i.e. in region of 0.5 hours. At the median wage, the opportunity cost of this time is £6¹⁰. If no objections are made there are no further costs to the householder.
- ii. Notification and determination costs: in addition to those costs identified in (i), householders whose notification does provoke an objection will experience costs associated with the determination process. The determination is likely to involve a site visit, attended by the householder and our illustrative scenario builds on the assumption that these visits will take no more than 2 hours. Again using the median wage suggests cost of a two hour review stands at around £22, meaning that the minimum administrative costs (given our assumptions) to existing applicants who are no longer required to submit a full planning application will be between £6 and £28. The mean average cost is used here. High and low scenarios are presented in Annex C.

Using the range of 20,000 to 40,000 extensions that we believe will incur costs of between £6 (low) for notification and £28 (high) for notification and a light touch review, total costs of the notification and light touch review stages are illustrated in Table 1¹¹.

Table 1: Costs to existing applicants of the new regime per annum¹²

Gross costs to applicants	
Low	£340,000
High	£690,000
Central	£520,000

⁹ Year ending December 2012, DCLG live tables p124;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/185649/TableP124.xls

¹⁰ Annual Survey of Hours and Earnings (2013), Office for National Statistics

¹¹ Table 1 applies sensitivities to only the number of developments passing through the Neighbour's Consultation Scheme

¹² The low and high scenarios represent extreme cases whereby the low applications estimate is combined with the average time cost estimate (1.5 hours) and the median wage (£11.21), and the high applications estimate is combined with the average time cost estimate and median wage.

Clearly the costs included in Table 1 do not consider the benefits to applicants who will no longer be required to navigate the full planning process and incur the costs that it necessitates. These benefits significantly outweigh the costs to applicants – see Table 2.

Even when accounting for the costs associated with the notification and review stages, under our illustrative scenario these benefits could potentially run to tens of millions of pounds per year. Taking the mean average additional planning costs (£1,190) discussed above and combining these with the number of applications potentially avoided (20,000 to 40,000) suggests that annual benefits to householders could be as follows;

Table 2: Benefits to applicants – gross savings per annum from no longer submitting a full planning application

High	Low
£48,000,000	£24,000,000

The figures presented in Table 2 suggest that our proposals have the potential to offer significant savings to householders – the net benefits are discussed in greater detail in annex A.

Benefits to applicants: savings to applicants not successful at the light-touch neighbours’ consultation stage

If there are 20,000 to 40,000 extensions per year which could potentially pass through the new neighbours’ consultation scheme process then by applying the approval rate for 2011/12 (89%) means that, on average, between 2000 and 5000 of these would have been refused. Under the new permitted development requirements it is likely that fewer of these applications will be refused: applying the 95% illustration discussed above the number of refusals within this range falls to between 1000 and 2000.

The remaining 5% (1000-2000) of applications will retain the right to appeal the decision or submit a full planning application. It is likely that the light-touch neighbours’ consultation stage will signal to applicants that they may not be successful with a full application, since by definition they must have failed at least one of the criteria for acceptable development and as such we believe that householders will have little incentive to pursue a full application. There is a benefit here: given that these applicants may not have been successful under a full planning application then avoiding costs associated with full planning represents a benefit to these individuals.

Benefits to applicants: New extensions brought forward

There will also be effects upon homeowners who were previously deterred from development by the cost of preparation and submission of a planning application. Under our proposals the probability of refusal of consent to development under the permitted development requirements should be lower than under the full application process, since only the impact on immediate neighbours’ amenity will be considered as part of the light touch determination stage – in other words uncertainty will be reduced. The process will also reduce transaction costs: at present, applicants can incur substantial costs when submitting a planning application as set out above.

Estimating the change in the number of households building extensions household extensions is a difficult process - to calculate the expected change in the number of extensions as a result of the simplification of the planning system (for certain types of extension), we need to have some knowledge about how people respond to what is essentially a change in its price, known as the price elasticity of demand¹³.

¹³ The price elasticity of demand measures the percentage change in demand for a good following a one percent change in the price of that good (assuming all other factors are constant).

The approach we have taken here is to estimate the total cost of building an extension of a given size¹⁴, and then to compare these costs when submission of a planning application is required and when this requirement is removed, before applying price elasticity assumptions (with respect to the demand for extensions) to estimate the numeric change in household extensions.

There is a wide range of costs associated with building an extension, and these are broadly summarised in the following categories; build costs, design fees, planning application fees and other costs, building regulations fees and self-build insurance. Some of these costs are fixed and some are proportionate to the level and quality of development (design fees are an example). We use a number of sources¹⁵ to estimate these costs where an average-sized home is extended by 6m¹⁶. The high, low and central scenarios differ with respect to the quality of materials used;

In addition to new extensions brought forward, it is likely that some of those who would build out at the margins of permitted development under existing allowances i.e. 3m and 4m might now build larger extensions given the greater freedoms. This effect is clearly extremely difficult to quantify and would require knowledge about householders that we do not have access to.

Total build cost (inclusive of VAT)	Low	High	Average
	£20,000	£50,000	£40,000

Elasticity¹⁷

We are not aware of any research into the demand responses of consumers of housing extensions in relation to a change in its price and this makes estimating the behavioural response to this change difficult. Research into the elasticity of demand for changes in the (relative) prices of housing suggests that a 1% increase in the (relative) price of housing decreases demand by between 0.45% and 0.64%¹⁸. The price elasticity of demand for housing gives a good starting point, but clearly these analyses will include the demand for the existing stock of homes, rather than exclusively new build, which given that extensions are newly-built accommodation, might be more appropriate. Research looking solely at the price elasticity of demand for new build homes supports our supposition that the demand for new build housing is more price elastic – in other words that the demand for new housing is more responsive to price changes - than demand for existing housing stock: studies¹⁹ report confidence intervals of between -0.5 and -0.9 and take the mid-point of this range for illustration.

The number of extensions

As discussed above, we build our analysis on a baseline of 170,000 extensions per year. By combining our assumptions and estimates we anticipate that substituting permitted development rights accompanied by a light touch neighbours' consultation scheme for a full planning application will remove between 2% and 5% of the costs associated with building an extension²⁰; in the central scenario, combining the reduction in costs (around 2%) with a price

¹⁴ This includes estimates of the build cost (per square metre), as well as fees associated with building regulations, structural engineers, architects and so on.

¹⁵ DCLG internal analysis, WhatPrice? and Homextension.info.

¹⁶ Our analysis assumes that all external walls are of an equivalent size. We recognise that extensions may or may not be 6m in length, on average but do not expect any average values to be skewed towards the upper bound (there are for example restrictions on terraced/semi-detached properties). Average home size is based on research by the Royal Institute of British Architecture and is based on a sample of three-bedroom homes, which is the most common number of bedrooms according to the English Housing Survey.

¹⁷ Hanushek, E and Quigley, J (1980), *What is the Housing Price Elasticity of Demand?*, the Review of Economics and Statistics, 62, 3. These papers recognise the uncertainties surrounding elasticity estimates which stem from unobserved factors which will alter the demand curve i.e. household preferences: http://urbanpolicy.berkeley.edu/pdf/HQ_REStat80.pdf

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ These percentage reductions simply measure the proportionate cost reduction that arises where planning application costs are removed and replaced with neighbour consultation costs.

elasticity of -0.7 modelling suggests that changes to permitted development rights has the potential to increase the number of extensions by 2900 additional extensions.

Table 3: additional extensions

Units	Low	High	Central
Additional extension 'applications'	2400	5600	2900
% increase	1.4%	3.3%	1.7%

The figures presented in table 2 represent the number of additional extensions which might arise, holding all factors other than the price change constant. The figures shown represent applications which should be adjusted downwards by 5% to reflect the approvals rate discussed above.

It is likely that the above discussion does not capture some of the effects of the proposed changes to the planning system with respect to householder applications. Price effects for example are unlikely to effect some of the unobservable behaviours that 'consumers' of the planning system might display: removing the bureaucracy associated with a full planning application might be viewed by some homeowners as a greater incentive to submit an application than indeed the removal of the fee. Such behavioural impacts are notoriously difficult to estimate and as such we do not seek to quantify these here.

Benefits for local authorities: reduced processing of householder applications

Local authorities will experience a number of changes as a result of our proposals.

- Authorities benefit if cost recovery does not apply to householder applications since there will be fewer full applications;
- They will incur costs associated with the notification and light touch determination procedures.

Local authorities will benefit from reduced applications, freeing-up resources to be employed elsewhere. Local authorities are constrained by centrally set fees and cannot charge more for additional work in determining applications. Wherever possible, local authorities will seek to determine applications at a cost equal to the fee. In cases where local authorities are currently under recovering costs on householder applications (i.e. they spend more determining the application than they receive in fees) they will make additional savings.

However, local authorities will face limited costs in relation to the time spent reviewing a notification, notifying adjoining neighbours and, where objections are raised, determining whether the impact on amenity is acceptable.

The Department is currently engaging in discussions with the Local Government Association on its assessment of the impact on local authorities. Currently no net costs are envisaged.

There may be an increased number of enquiries by homeowners and their neighbours relating to whether new development meets the conditions laid out in the permitted development rights. This could impose some administrative costs on local planning authorities in terms of dealing with these queries. However, even in the absence of these permitted development rights, the local planning authority would receive pre-application enquiries regarding their policies and their views of development proposals. It is therefore considered that the permitted development rights would result in a transfer of resources from dealing with planning application queries to permitted development rights' queries that will broadly net out overall.

Sensitivities: costs and benefits to householders where time costs vary

Our illustrations above have adopted a working assumption whereby the average time-related costs experienced by householders in relation to the Neighbours Consultation Process are equivalent to 1.5 hours. Since this is a new scheme, and as such there are uncertainties surrounding its operation, annex C explores the case where the scheme is more time-consuming than figures in the main body of the text suggest.

Costs to communities: amenity impacts of additional extensions

Third parties living and working close to new development that proceeds under permitted development rights at the higher thresholds may consider that amenity has been unduly impacted on as a result of the proposals. This could be, for example, due to perceived harmful visual impact or loss of light resulting from the development.

We have sought to address concerns and mitigate third party impact by including provisions for notification of proposed development, which is designed to seek neighbours' consent before development can proceed.

We are also maintaining appropriate limitations and conditions that will need to be met for the permitted development rights to apply. Other non-planning related protections will also still apply, including the Party Wall Act and the 'right to light'. The most significant impact of a single-storey rear extension would be on adjoining properties, and it is the acceptability of the impact on the amenity of immediate neighbours that the local planning authority will determine if any objections are made under the neighbours' consultation scheme.

If, in exceptional circumstances, it is clearly demonstrated that the permitted development rights are materially harmful in a particular locality, local authorities are able to consult with their communities on using an Article 4 direction²¹ to withdraw the rights. Removal of the rights in these exceptional circumstances allows all the potential planning impacts of the development to be considered locally by requiring planning applications.

Communities may benefit from increased economic activity in their area. Construction work supports local employment in trades such as building and plumbing, as well as the businesses that provide materials to them and others in the supply chain. For example, every additional £1m of output in housing repairs and maintenance supports around 30 jobs (in gross terms)²²

Costs and savings for business and other organisations wishing to carry out development under Parts 8, 41 and 42 to Schedule 2 of the Town and Country Planning Order 1995, and meeting the increased size thresholds (part B)

Businesses and other organisations intending to extend their premises (that would have done so in the absence of permitted development rights) but also now within the increased thresholds will make direct fee savings from submitting a reduced number of planning applications being required. They will also save on the associated transaction costs (additionally imposed by the planning system) such as professional fees, production of scaled drawings; time spent compiling and presenting information etc. If the requirement to seek planning permission were removed these costs would no longer be incurred.

Benefits to applicants: administrative and fee savings on existing applications

²¹ Article 4 of the Town and Country Planning (General Permitted Development) Order 1995.

²² ConstructionSkills

In 2011/12 there were 9,600 planning applications for minor development in ‘offices/research and development/light industry’ and ‘retail distribution and servicing’ categories.²³ In 2011/12 there were 2,200 applications for minor development in ‘general industry/storage/warehouse’ categories.²⁴ Only a proportion of these applications will be for extensions that will be covered by the proposed permitted development rights. Internal analysis of the breakdown of minor commercial development by floor area suggests that around 10% of developments will fall within proposed permitted development limits (100m² for most categories).²⁵ Industrial and warehouse buildings will have a higher limit and so this proportion is likely to be higher. Therefore between 10% and 20% of these applications are likely to fall within permitted development rights following the proposed policy changes, meaning that between 960 and 1,920 office developments will no longer be subject to planning requirements and between 220 and 440 developments will no longer be subject to planning requirements.

The administration and fee savings on the above applications will vary depending on the size. Given that these applications are for business premises, the cost savings from no longer preparing (time and resource) and submitting (fees) are likely to accrue to business. Benefits to applicants are taken from research into the cost to applicants of submitting full planning applications – see page six²⁶. Table 7 shows the application savings based on the illustrative scenarios set out above.

Table 4: Application administrative and fee savings

		Applications	Fee	Annual Saving
Office / Research and Development / Light Industry	Low	960	£1,355	£1.3
	High	1,920		£2.6
	Cen	1,440		£2.0
General Industry / Storage / Warehouse	Low	220	£3,500	£0.8
	High	440		£1.5
	Cen	330		£1.2

As with householder developments, the same planning restrictions will also apply in protected areas.

Benefits to applicants: New extensions brought forward

As before, there is likely to be some additional economic activity as a result of development that would not otherwise have come forward due to the perceived cost of the planning system. It is not possible to estimate the number of business applicants that are currently deterred from development because of the economic costs the planning system imposes.

Table 8 shows the additional construction output under illustrative scenarios for additional development. These are based upon assumed floor area and construction costs.

Table 5: Construction output (illustrative)

²³ DCLG (2006) Householder Consents - Survey of Applicants:

<http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/planningandbuilding/pdf/151327.pdf>

²⁴ DCLG (2006) Householder Consents - Survey of Applicants:

<http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/planningandbuilding/pdf/151327.pdf>

²⁵ The source of the data is Glenigan (<https://www.glenigan.com/>), a private firm that supplies the Department with information on the status of planning applications for internal use. Information from Glenigan is commercially available for a fee.

²⁶ DCLG (2009) Benchmarking the costs to applicants of submitting a planning application:

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

	Additional Extensions	Unit Floor Area (sqm)²⁷	Construction Cost (per sqm)²⁸	Construction Output
Low	500	200	£1,250	£125m
High	1,000	200	£1,250	£250m

Under these illustrative scenarios, the additional annual construction output ranges between £125m and £250m. These benefits are not included in the summary sheets or the Equivalent Annual Net Cost to Business.

Benefits for local authorities: reduced processing of planning applications

Local authorities will benefit from reduced applications, freeing-up resources to be employed elsewhere. Local authorities are constrained by centrally set fees and cannot charge more for additional work in determining applications. Wherever possible, local authorities will seek to determine applications at a cost equal to the fee. In cases where local authorities are under recovering costs (i.e. they spend more determining the application than they receive in fees) they will make additional savings.

Costs and benefits to neighbours and communities from additional commercial and retail extensions

As with any development there may be externalities associated with that change, but in advance it is difficult to know whether such externalities are positive or negative. It is possible that in a particular case an extension may result in, for example, higher traffic density, on the other hand where sites are empty or derelict for a long time then an extension and reoccupation may result in an increase in amenity.

There is a risk that this proposal may be perceived by some as a loss of control for local authorities and their ability to consider the wider external costs and benefits of development in coming to a decision.

Broadly, as the permitted development right would be extended for extensions, it is likely that such impacts will be similar to those of the existing premises, for example in terms of noise, traffic and parking. If the impacts are broadly similar it is unlikely to have any potential costs in terms of additional infrastructure requirements. Third parties living and working close to new development that proceeds under permitted development rights at the higher thresholds may consider that amenity has been unduly impacted on as a result of the proposals. This could be, for example, due to perceived harmful visual impact or loss of light resulting from the development.

Business uses are often grouped with other similar premises, for examples retail premises shops on high streets, or warehouses in industrial estates, and the impact of extensions to these on the wider community is expected to be minimal. For extensions to shops the amenity of any neighbouring residential properties will be protected by requiring a 2m gap from the boundary.

It is proposed to minimise risk by maintaining appropriate limitations and conditions that will need to be met for the permitted development rights to apply. For example shop extensions cannot include a veranda, balcony or raised platform that would overlook neighbouring properties, office extensions require a 5 metre gap from the boundary, and for new industrial buildings and warehouses, cannot lead to a reduction in the space available for parking or for turning vehicles.

²⁷ Based on the views of experienced Planning professionals in the Department

²⁸ Ibid

Other non-planning related protections will also still apply, including the Party Wall Act, and the 'right to light', building regulations, and fire regulations. The changes to permitted development rights for businesses will not apply in protected areas, such as conservation areas, National Parks, Areas of Outstanding Natural Beauty and sites of special scientific interest,.

If, in exceptional circumstances, it is clearly demonstrated that the permitted development rights are materially harmful in a particular locality, local authorities are able to consult with their communities on using an Article 4 direction to withdraw the rights. Removal of the rights in these exceptional circumstances allows all the potential planning impacts of the development to be considered locally by requiring planning applications.

Costs and benefits to construction businesses: additional extensions

Businesses are likely to benefit from the work involved in constructing the additional extensions discussed in sections A and B. Construction makes up an important sector of the economy, contributing to nearly 10% of GDP. Construction activity also has a comparatively large multiplier, meaning that every £1 spent has a greater impact on the wider economy than £1 spent in other sectors. Construction activity has positive employment effects: every additional £1m of output in housing repairs and maintenance supports around 30 jobs (in gross terms)²⁹.

Construction supply chains also tend to be local meaning that money spent in an area tends to remain within that area – this can support local economic development.

We have not sought to monetise the benefits to business which arises from higher numbers of (additional) extensions as detailed in parts A and B: whilst we have illustrated the kinds of *price* effects which might be seen, these are likely to significantly underestimate the true effects since they do not reflect the benefits that individuals accord to lower levels of bureaucracy (which is impossible to determine due to data limitations).

Equivalent Annual Net Cost to Business (EACNB)

We have not sought to quantify the potential business benefits which might result from the changes in permitted development rights in relation to householder extensions since the uncertainty surrounding additionally (behaviour changes resulting from reduced uncertainty prohibit accurate estimation: Similarly we have not sought to quantify the business benefits resulting from *additional* development with respect to commercial and retail businesses.

Our proposed changes are likely to lead to a significant reduction in transaction costs for businesses wishing to expand their premises, as outlined in section B.

The Net Present Value for business is calculated using the central scenarios shown in table B2 in annex B, which totals £9.2m. From this figure the Equivalent Annual Net Cost to Business (EACNB) is calculated following Green Book guidance and equates to £-2.6m per annum (2009 prices, 2010 discount base year).

Impact on small firms

There may be positive impacts for small firms wishing to expand their premises or involved in the construction business. In addition small firms involved in the supply chains of these firms could benefit.

Rural proofing

The proposals for householder and business extensions will not apply in protected areas, including National Parks and Areas of Outstanding Beauty. As these landscape designations are generally rural areas, the policy has the potential to exclude home and business owners in

²⁹ ConstructionSkills

these areas. There is a need to strike an appropriate balance between deregulating and maintaining appropriate protections, particularly in those sensitive areas where tighter controls are needed as development can have a disproportionate impact on the quality and character of the natural and built landscape.

Implementation

If these proposals are adopted, an amendment will be made to the Town and Country Planning (General Permitted Development) Order 1995.

A minor amendment will also be made to the Town and Country Planning (Compensation) (England) Regulations 2012. Currently where planning permission granted by a development order is withdrawn, land owners have a right to compensation if planning permission is refused for a development which would have been allowed under permitted development rights. As the permitted development rights being introduced are temporary (for three years) the Compensation Regulations need to be amended to ensure no compensation right arises when these time-limited permitted development rights come to an end.

Monitoring

The proposed extensions to homeowner and business permitted development rights are a temporary measure for three years. A light touch review of the policy will be undertaken to establish how best to proceed.

Annex A: Householder costs, benefits and present values

Table A1: householder costs

£M	Year 1	Year 2	Year 3	Average Annual
Costs (high)	£0.7	£0.7	£0.7	£0.7
Costs (low)	£0.3	£0.3	£0.4	£0.3
Cost (central)	£0.5	£0.5	£0.5	£0.5

Table A1 shows that annual costs to householders as a result of the neighbour consultation exercise i.e. notification and review increase annually with the increase in applications implied by economic growth forecasts. Analysis of the relationship between applications and GDP growth suggests there is a cyclical relationship between applications and GDP growth. Ten year average growth rates (excluding an anomaly in the planning application series around the time of the financial crisis) show a close to one-to-one relationship and our provisional modelling of this relationship also suggests a similar relationship. In light of this we have adopted a one-to-one relationship between GDP growth and the change of use planning applications.

Table A2: householder benefits

Table A2: householder benefits

Benefits (planning costs avoided)	Year 1	Year 2	Year 2	Average
High	£47.9	£48.7	£49.6	£49.7
Low	£23.9	£24.4	£24.8	£24.4
Central	£35.9	£36.6	£37.2	£37.6

Table A2 shows a similar picture with householder benefits increasing marginally on an annual basis: these benefits feed into significant net benefits (in present value terms) as shows in table A3.

Table A3: householder net present values

Net costs - present value	0	1	2	NPV
High	£-45.6	£-44.8	£-44.1	£-135.5
Low	£-22.8	£-22.5	£-22.1	£-67.3
Central	£-34.2	£-33.7	£-33.1	£-101.9

Annex B: Business benefits and present values

Table B1: Annual savings for business

(Millions)		Year 1	Year 2	Year 3	Average
Office / Research and Development / Light Industry	Low	£1.3	£1.3	£1.4	£1.3
	High	£2.6	£2.7	£2.7	£2.6
	Central	£2.0	£2.0	£2.0	£2.0
General Industry / Storage / Warehouse	Low	£0.8	£0.8	£0.8	£0.8
	High	£1.5	£1.6	£1.6	£1.5
	Central	£1.2	£1.2	£1.2	£1.2

Table B1 builds on Table 4 in the main body of the text, assuming that planning applications move closely in line with economic growth forecasts (see discussion in annex A), thereby increasing annual savings. From this we can derive

Table B2: Present values

(Millions)		Year 1	Year 2	Year 3	NPV
Office / Research and Development / Light Industry	Low	£1.3	£1.3	£1.3	£3.9
	High	£2.6	£2.6	£2.5	£7.7
	Central	£2.0	£1.9	£1.9	£5.8
General Industry / Storage / Warehouse	Low	£0.8	£0.7	£0.7	£2.2
	High	£1.5	£1.5	£1.5	£4.6
	Central	£1.2	£1.1	£1.1	£3.4

Table B2 shows that the business net present value in the central scenario is £9.2m.

Annex C: sensitivities

Householders

In the high scenario, where the Neighbours Consultation Process takes on average 2.5 hours to complete gross benefits to householders will remain unchanged while costs will increase (other things constant). The effect can be seen by comparing table D1 below with table A1;

Table C1: Householder costs

	Year 1	Year 2	Year 3	Average Annuals
Costs (high)	£1.1	£1.2	£1.2	£1.2
Costs (low)	£0.6	£0.6	£0.6	£0.6
Cost (central)	£0.9	£0.9	£0.9	£0.9

The increased costs can be seen to have a marginal impact on householder net present value, as shown when comparing table D2 with table A3. Given that the increase in consumer surplus is high even where cost assumptions are high, there is no need to perform allow sensitivity: clearly the effects will be to inflate householder net present values above those in table A3.

Table C2: Householder Net Present Value (NPV)

(Millions)	Year 1	Year 2	Year 3	NPV
High	-46.8	-45.9	-45.2	-137.9
Low	-23.3	-23.0	-22.6	-69.0
Central	-35.1	-34.5	-33.9	-103.5