

Title: Permission in principle for development plans and brownfield registers IA No: RPC-3069(2)-CLG Lead department or agency: Department for Communities and Local Government Other departments or agencies:	Impact Assessment (IA)		
	Date: 07/10/2015		
	Stage: EANCB Validation		
	Source of intervention: Domestic		
	Type of measure: Primary legislation		
Contact for enquiries: Robert Griffith			
Summary: Intervention and Options		RPC Opinion: RPC Opinion Status	

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2014 prices)	In scope of One-In, Two-Out? Measure qualifies as
£386.1m	£386.1m	- £44.4m	Yes Out

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

Most developers need a level of certainty about whether a site is suitable before they are willing to take a development proposal forward. A 'site allocation' in a local or neighbourhood plan provides some certainty, however, the question of suitability is often revisited at different stages of the planning process, which is inefficient and can discourage developers from taking some proposals forward as they must incur the costs of preparing and submitting a planning application in order to resolve the question of suitability. Government intervention is necessary to enable developers to resolve the question of suitability earlier in the development process and at a lower cost.

What are the policy objectives and the intended effects?

The Government proposes to legislate to enable local planning authorities or neighbourhood groups to grant permission in principle (establishing the principle of development once) for housing sites through adopted local or neighbourhood plans or brownfield registers. Firmly establishing the principle of development once before asking developers to provide costly technical information would: improve efficiency by reducing duplication of effort; reduce uncertainty for developers and encourage them to bring forward proposals and/or saving them the cost of failed applications turned down due to site unsuitability for housing.

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

If we did nothing it will not achieve the Government's aims to streamline the planning process by providing earlier certainty to developers and increase the supply of permissioned land for housing. It is not possible to take a non-regulatory approach to streamlining regulation. The Government's preferred approach, therefore, is to enable permission in principle to be granted to sites in brownfield registers, local and neighbourhood plans. This option will introduce new legislation to enable local planning authorities or neighbourhood groups to grant permission in principle for housing sites at the point when a site is allocated in an adopted local or neighbourhood plan document or a brownfield register. A grant of full planning permission would be subject to the later approval of technical details. This Impact Assessment relates to the primary legislation that will provide the necessary enabling powers. The technical detail of the policy will be set out in secondary legislation and a separate impact assessment will be prepared that relates to these provisions.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 10/2019					
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.		Micro Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded: N/A	Non-traded: N/A

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:**

Brandon Lewis MP **Date:** 23 October 2015

Summary: Analysis & Evidence

Policy Option 1

Description: Permission in principle for development plans and brownfield registers

FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: 386.1

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	3		
High			
Best Estimate		0.2	0

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

The main affected group is professional developers that build housing developments and decide to take advantage of a Permission in Principle - estimated to be around 14000 businesses. We anticipate that there may be some one-off familiarisation costs for these businesses associated with gaining awareness of and understanding of the new consent process i.e. the Technical Details Consent.

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

None.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	N/A		
High			
Best Estimate		0	50.8

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

The proposals will remove the risk for developers that a development proposal is refused planning permission on the basis that the site is unsuitable for housing development. We expect, therefore, that around 1200 developers each year will benefit from significant savings as a result of submitting and paying planning application costs on fewer unsuccessful applications.

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

Where Permission in Principle has been given through a plan or register the level of information required by applicants is likely to be less than what is produced in the existing process, as the applicant will only be required to satisfy the technical details. There may also be some time cost savings as Permission in Principle will avoid the repeated effort involved in settling the question of site suitability.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
The analysis assumes that local planning authorities and neighbourhood groups will be incentivised to grant permission in principle to the vast majority of housing sites on their brownfield registers or in local or neighbourhood plans.		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: <0.1	Benefits: 44.4	Net: 44.4	Yes	OUT

Evidence Base

Problem under consideration and rationale for intervention

Identifying a suitable site is one of the first steps in the development process. Developers often need a level of certainty about whether a site is viable and suitable before they are willing to take a development proposal forward.

Currently, local planning authorities and some neighbourhood groups provide some certainty to developers on the suitability of sites for housing by 'allocating' sites in their respective development plans. However, the question of whether a site is suitable for housing development is then tested again multiple times later in the planning process. For smaller sites, the question of suitability will generally only be considered at the planning application stage.

Revisiting the question of suitability at different stages of the process in this way for larger sites is an inefficient process and leads to repeated effort for all users in the planning system. What is more, the resulting lack of certainty over site suitability can discourage developers from taking some proposals forward at all, since they must sink the costs of preparing and submitting a full planning application or detailed outline in order to resolve the question of suitability.

The Government is committed to streamlining the planning process by providing developers with more certainty earlier in the development process. This will help encourage them to take development proposals forward and increase the supply of land with planning permission for new homes.

Firmly establishing the principle of development once before asking developers to provide costly technical information would: improve efficiency by reducing duplication of effort; reduce uncertainty for developers and encourage them to bring forward proposals and/or saving them the cost of failed applications turned down due to site unsuitability for housing

Policy objective

The Government therefore proposes to legislate to enable local planning authorities or neighbourhood groups to grant Permission in Principle (establishing the principle of development once) for housing sites through local or neighbourhood plans or brownfield registers. Under a separate proposal each local authority in England will be required to have and maintain a register of suitable brownfield sites for housing. A grant of full planning permission would be subject to the later approval of certain technical details.

Primary powers will be needed to implement the proposals and we intend to seek these through the Housing and Planning Bill, which is expected to be introduced in mid-October. Initially, we propose to use the powers to enable Permission in Principle to be granted through brownfield registers and neighbourhood plans. We intend to extend the policy to local plans later in the Parliament.

This Impact Assessment considers all these routes for granting Permission in Principle together and relates to the primary legislation that will provide the necessary enabling powers. The technical detail of the policy will be set out in secondary legislation and a separate impact assessment will be prepared that relates to these provisions. The process of producing this separate assessment may also allow us to quantify more of the impacts described below.

Recognising the specific challenges that developers of smaller sites can face, the Housing and Planning Bill also makes provision for permission in principle to be granted for minor development on application to the local authority.

Description of options considered

Do nothing

This will not achieve the Government's aims to streamline the planning process, provide earlier certainty to developers and increase the supply of permissioned land for housing.

Alternatives to regulation

We do not consider that it is possible to take a non-regulatory approach to addressing these issues as they are the result of the current regulatory framework that governs the planning process.

Preferred approach: Grant Permission in Principle to housing through brownfield registers, local and neighbourhood plans

This option will introduce new legislation to enable local planning authorities or neighbourhood groups to grant Permission in Principle for housing sites at the point when a site is allocated in an adopted local or neighbourhood plan document or a local brownfield register. A grant of full planning permission would be subject to the later approval of certain technical details.

Impact on developers

Through engagement with a broad range of key industry stakeholders we were able to identify the likely impacts on users of the planning system including the main affected group, which is professional developers that build housing developments and choose to take advantage of Permission in Principle.

The proposal will provide developers (those with housing sites allocated in development plans and/or brownfield registers on which Permission in Principle has been granted) with the option to apply for the approval of the local planning authority on the non 'in principle' issues of the development only, through a Technical Details Consent instead of applying for a Full or Outline planning consent.

The Technical Details Consent will draw on features of the existing planning application process and would be within the fees envelope for planning applications, but give the developer certainty over the principle of development ahead of asking them to sink the costs of preparing and submitting a planning application. We do not propose to charge developers a fee for a grant of Permission in Principle through plans or brownfield registers.

The existing Outline Planning Application route enables the applicant to defer some matters for later consideration through a two-stage process, however, sector feedback suggests that the burden on the applicant is frontloaded at the first (Outline) stage. Outline planning permission also does not provide the facility to allow consent to be granted directly through locally produced plans and registers.

The main impact of Permission in Principle therefore will be to reduce duplication in the system and provide certainty on the principle of development for developers encouraging them to bring forward proposals and/or saving them the cost of failed applications turned down due to unsuitability of sites for housing.

While the measure is permissive - since developers will retain the option to apply for planning permission through the existing planning process (submitting Full or Outline planning applications) if they wish - we consider it unlikely that the current full planning application route would be more attractive to a developer where the option to apply via Technical Details Consent is available to them.

The policy has been broadly welcomed by the business community. In written evidence to the Housing and Planning Bill Commons Committee¹, which scrutinised the primary powers, the CBI said that Permission in Principle is one of four planning reforms that "will significantly reduce the red tape surrounding planning", while the Federation of Master Builders, which represents 8000 small builders, said that they "strongly support" the measure, which they describe as "reasonable and logical".

How many sites will be granted Permission in Principle?

The measure will apply to sites identified in future or revised local and neighbourhood plans as well as the new brownfield registers and we expect it will take approximately 2 years before full implementation. In year 1 (i.e. 2016-17) we intend to give local authorities and neighbourhood groups the powers to grant Permission in Principle through brownfield registers and neighbourhood plans. We will then introduce Permission in Principle for local plans towards the end of the Parliament.

¹ <http://services.parliament.uk/bills/2015-16/housingandplanning/documents.html>

Brownfield registers

The Government expects to see registers of brownfield sites that are suitable for housing in place in 2017 for every local planning authority in England (i.e. 337 local planning authorities). Grant funding will be made available to authorities that pilot the preparation of registers ahead of legislation to test the approach and ensure early collection of data. That will support local planning authorities more widely as they embark on the preparation of their registers.

The Government also expects all local planning authorities to have planning permission in place on 90% of the sites identified as being suitable for housing on their brownfield registers. As a result, we anticipate a strong uptake of this policy.

Data on brownfield land availability is currently very poor. Statutory brownfield registers will ensure that consistent, up-to-date information is made publically available. As registers are not currently in place, it is difficult to estimate how many sites will be granted Permission in Principle. We can, however, provide an estimate based on the number of planning permissions granted for housing development. Assuming that 12% of applications for minor residential development concern sites of 5 or more dwellings², the number of permissions granted was approximately 10,000 in 2014-15. The latest available DCLG Land Use Change Statistics from 2013-14 indicate that around 60 per cent of new homes were built on brownfield land in that year³. Assuming a similar rate (i.e. 60 per cent) of planning permissions were granted on brownfield land in 2014-15, the best estimate for the number of sites that are suitable candidates for Permission in Principle in a given year would be around 6,000.

Neighbourhood plans

The current rate of neighbourhood plan making is approximately 50 plans each year and of those around 55% allocate housing sites in their neighbourhood plans. There are currently 1600 neighbourhood groups that have embarked on a neighbourhood plan. While granting Permission in Principle to housing sites will be optional, our best estimate is that we expect a similar percentage of neighbourhood groups will be incentivised to choose this option because it will increase the likelihood that development activity in their neighbourhood areas will happen on their chosen sites and there also is grant funding available to help neighbourhood groups undertake the work.

We also expect that those neighbourhood groups that choose to grant Permission in Principle will do so to most of their allocated sites. The number of sites a qualifying body typically allocates varies widely, but a conservative estimate is that each body will grant Permission in Principle to 5 sites on average. We, therefore, estimate that approximately 140 sites ($50 \times 5 \times 0.55$) will be granted Permission in Principle in any given year.

Local plans

According to the rate of local plan adoption, on average 28 local plans are adopted each year and currently 13% of local planning authorities have separate housing site allocation documents. The Government has targeted local planning authorities to produce a local plan by early 2017. The Government has also established an expert group to consider reforms which will significantly streamline plans and plan-making. Planning guidance sets out that most Local Plans are likely to require updating in whole or in part at least every five years. Therefore as future reforms are expected to streamline plan-making the rate of adoption is likely to grow in future years. Our best estimate is that we expect a similar percentage of local planning authorities will be incentivised to choose this option because it will increase the likelihood that development activity in their areas will happen on their chosen sites

We expect that those local planning authorities that choose to grant Permission in Principle will do so to most of their allocated sites. The number of sites a local planning authorities typically allocates varies widely, but a conservative estimate is that each authority will grant Permission in Principle to up to 10 sites on average. We, therefore, estimate that approximately 35 sites ($28 \times 10 \times 0.13$) will be granted Permission in Principle in any given year.

² Based on DCLG analysis of Planning Advisory Service data from 2012 and 2013, the latest available. We assume the mix of development activity has not changed significantly.

³ While recent LUCS data is based on new residential addresses rather than sites and planning applications, the 60% figure is consistent with previous LUCS data which does count sites. This suggests that the average number of units on greenfield and brownfield sites is roughly equal.

Estimated total number of sites

The estimates above do not take account of a degree of overlap as sites identified on brownfield registers may also be sites allocated in local or neighbourhood plans. As we cannot estimate what proportion of sites this would affect, we take a conservative approach to estimating the potential benefits and exclude all of the estimated 175 sites granted Permission in Principle through local and neighbourhood plans. As these are a small proportion of the overall estimated number, we consider that resolving this uncertainty would only have a marginal impact on our savings calculations.

Overall, therefore, we estimate that around 40% of planning decisions of the major and minor housing development of relevant size in any given year will be made on sites that in future will be contained in either a brownfield register, a local plan or a neighbourhood plan (6,000 sites, as a proportion of 14,500 decisions). This represents 10% of all 60,000 planning decisions for housing development in the latest available data.

Monetised and non-monetised benefits

Avoiding costs associated with planning refusals

It is possible to estimate the savings developers will make due to the removal of the risk that a development proposal is refused on the grounds of the site being unsuitable for housing development.

We analysed a small sample of planning decisions on major housing applications (i.e. more than 10 units) made between March and September 2015 to establish what proportion were refused on the grounds that the site was not considered suitable for housing development. The sample was drawn from three local planning authority areas in geographically distinct parts of England. We found that, on average, the reasons provided for refusal in 62% of cases were that the site was considered unsuitable for housing development. We predict that the number of 'in-principle' refusals will drop considerably under these proposals as developers will no longer have to sink the costs of preparing and submitting a full or outline planning application to establish whether a site is suitable for housing development.

LPA	No of major apps for housing refused between March 2015 and Sept 2015	No. of refusals based on in principle issues	% refusals based on in-principle issues
White Horse Vale DC	4	3	75%
Mid-Sussex DC	7	2	29%
East Riding of Yorkshire DC	6	5	83%
		Average	62%

To calculate the cost savings to developers from avoiding the cost of making a full or outline planning application, we use the number of applications for housing development that were refused planning permission in 2014-15: 1500 major applications and 13,600 minor applications (of which 12.5% might be of relevant size) were not granted permission⁴. We then again assume that 60% of planning decisions are on brownfield sites. This gives an estimate of the number of refused applications which would not be submitted if Permission in Principle is introduced. Where a brownfield site is not on a register, it would be reasonable to assume that an application would be rejected as unsuitable. In total, therefore, the cost of around 600 minor and 600 major refused planning applications could be avoided by developers if they were able to establish the principle of development through development plans or brownfield registers each year. The typical cost of preparing and submitting a planning application is £67,000 for major applications and £22,000 for minor applications⁵. Therefore in total developers could save around £50.8m a year by avoiding the cost of failed planning applications.

We expect these benefits to be ongoing, since local planning authorities are under an obligation to maintain a sufficient supply of housing sites in their plans, thus we expect new sites will be allocated to replace those that have been built on.

Lower information costs and time cost savings

Where Permission in Principle has been given through a plan or register the level of information required by applicants is likely to be less than what is produced in the existing process, as the applicant will only be required to satisfy the technical details.

We also expect there to be some time cost savings as Permission in Principle will avoid the (repeated) effort and expense involved under the existing process in establishing that the development is acceptable in principle. It is not possible to estimate the savings associated with lower information costs as information requirements vary widely depending on the characteristics of the site and its location. It is also not possible to calculate the time cost savings because the time demands on the developer vary widely depending on the specifics of the site and the working methods of the local authority.

Monetised and non-monetised costs

Familiarisation costs at implementation

We anticipate that there may be some familiarisation costs linked to these proposals. Feedback from a small sample of developer businesses suggests that these costs will be negligible before the developer needs to consider whether to proceed with this new consent route. We therefore have not included a cost of familiarisation to businesses at the time the policy is implemented.

Familiarisation costs when considering the new consent route

The same sample of developers indicated that familiarisation costs will fall at the point when the developer considers whether to follow the new route i.e. when they are preparing an application on a site with permission in principle for the first time. Existing routes will remain open to applicants, who will not incur any familiarisation costs if they choose these routes.

The businesses incurring familiarisation costs in any given year will be those that

- have a site allocation in a local plan, neighbourhood plan or a brownfield register that has been granted Permission in Principle; and
- decide that they may wish to take advantage of a Permission in Principle and then seek a 'technical details consent' from the local planning authority.

We expect that these costs will relate to learning how to apply for the Technical Details Consent including information requirements, how to complete the application form and identifying the correct fee.

⁴ DCLG Live Table P124 and PAS data

⁵ Benchmark costs, Arup 2009 for DCLG, inflated to 2015 prices

Number of businesses familiarising themselves

We can estimate the upper-bound for one-off familiarisation costs by using the number of applications for housing development of 5 or more units (i.e. the threshold for inclusion on brownfield registers) as a proxy for the number of developers that may need to familiarise themselves with the new process. We used the same method to estimate familiarisation costs in a 2013 Triage Assessment, "Updated national planning policy for sustainable waste management", on the basis that attempting to establish the total number of affected developer companies would involve a disproportionate cost.

There were 7,100 major residential planning applications and 52,800 minor residential planning applications decided in 2014-15. Of the latter, 12.5% might be above the threshold for inclusion on brownfield registers. Therefore an upper bound for the number of businesses that need to familiarise themselves is, in total, approximately 14,000.

Familiarisation costs per business and total cost

Comment from a small sample of developer businesses suggests that the time taken for developers to familiarise themselves with the new consent route will depend on how different the new arrangements will be from the present system. While the new consent route (i.e. the Technical Details Consent) will differ from the existing planning application process, it will share many of the same characteristics e.g. a requirement to complete an application form, supply plans and drawings of the development, pay the correct fee and provide any assessments requested by the local authority. The fundamental change is that the in-principle issues of the development (i.e. location, use and amount of development) will have already been established when permission in principle was granted through plans and registers so the new consent process will only be focused on the technical detail.

Given the similarity to the existing process, a proportionate estimate is that it will take one person in each developer company half an hour to familiarise themselves with the new arrangements. Assuming an hourly time cost of £27.81 (up-rated from basic wage of £21.39 per hour to reflect non-wage staff costs)⁶, we calculate that the total familiarisation costs to business would be £0.2 million. This estimate is naturally sensitive to assumptions on time required for someone to familiarise themselves. If we assume that it takes one person a full hour to familiarise themselves then this would (holding other assumptions unchanged) yield an upper estimate for the one-off familiarisation cost of £0.4m. In the Impact Assessment accompanying the National Planning Policy Framework, we assumed three to four hours of familiarisation time, for 65 pages of guidance. Since this change is a very small element of planning policy, we regard our upper assumption of 1 hour familiarisation time as cautious. This methodology is also consistent with the approach we used in previous validated impact assessments including on deemed discharge for planning conditions (RPC13-FT-CLG-1942(2)) and changes to Environmental Impact Assessment regulations (RPC13-FT-CLG-1822(2)). We will seek further feedback in our forthcoming consultation on the detailed procedures which will be set out in secondary legislation and, if necessary, re-examine our familiarisation cost calculations in the impact assessment that accompanies those regulations.

Distribution of familiarisation costs over time

As stated previously, the measure will apply to sites identified in future or revised local and neighbourhood plans as well as the new brownfield registers and we expect it will take approximately 2 years before full implementation as these come on stream. In practice, therefore, not all suitable sites will be allocated to plans and/or brownfield registers and granted Permission in Principle in the first year of implementation of the policy. Our best estimate is that 6,000 sites would be available with permission in principle each year and developers will only substantially familiarise themselves with the new process when considering whether to follow the new route (i.e. when they are preparing an application on a site with permission in principle for the first time). Thus we expect that only 6,000 developers out of the 14,000 that are likely to benefit from the policy will need to familiarise themselves in any given year.

⁶ We use wage rates to estimate the monetary costs of familiarisation – this is consistent with standard economic theory and HMT methodology. For developer wages we have used a proxy of 'activities of head office; management consultancy services' (SIC 70). We uprate basic gross hourly wage rate taken from the latest ONS Annual Survey of Hours and Earnings (£21.39) by 30% (based on HMT Green Book and DCLG appraisal guide) to incorporate non-wage labour costs (arriving at hourly time cost of £27.81). This approach is consistent with that applied to estimate familiarisation costs for National Planning Policy Framework Impact Assessment.

Fraction of developers familiarising themselves with Permission in Principle (PiP) each year

Year	2015	2016	2017	2018
New sites with PiP	0	6,000	6,000	6,000
Developers applying on a PiP site for the first time	0	6,000	6,000	2,000
Developers familiar with PiP (cumulative total)	0	6,000	12,000	14,000
Developers not familiar with PiP	14,000	8,000	2,000	0

Summary of direct net benefits (to business, £m)

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Familiarisation costs	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2
Cost of refusals avoided	0.0	50.8	50.8	50.8	50.8	50.8	50.8	50.8	50.8	50.8	456.9
Net benefit	0.0	50.7	50.7	50.8	50.8	50.8	50.8	50.8	50.8	50.8	456.7
Net Present Value	0.0	49.0	47.3	45.8	44.2	42.8	41.3	39.9	38.6	37.3	386.1

Impact on statutory consultees from the third sector

During the determination of planning applications, local planning authorities are legally required to consult certain organisations and bodies. The majority of statutory consultees are public bodies and are therefore out of scope for this assessment, but we need to consider the potential impact on the Theatres Trust and the Canal & River Trust, which are third sector organisations. Where a local authority of qualifying body chooses to consider granting Permission in Principle to housing sites, these bodies may need to become involved at an earlier stage in the planning process. We do not propose to increase the amount of consultation advice these bodies will be required to provide and therefore we do not expect it will cost them more to undertake their statutory duties. As only two organisations are affected and the changes may only relate to the timings of when they are consulted, we do not expect any material costs to the third sector. Feedback from both organisations supports the view that this proposal will incur limited familiarisation costs for these organisations. The Theatres Trust have indicated that their focus is on the detail of development proposals rather than the in-principle issues and the new consent route is therefore unlikely to change the way they engage with the planning process. The Canal and River Trust have a team of in-house planning specialists who are experienced at familiarising themselves with new planning policy reforms. The resource impact on this team is minimal, as the team is already set to cover familiarisation with their operational regulatory landscape on an ongoing basis.

Impact on local planning authorities and neighbourhood groups

Local planning authorities and neighbourhood groups will use existing well-established plan making processes to grant Permission in Principle through their local and neighbourhood plans and therefore we do not anticipate that the proposals will impose a new burden on them in these cases. Where authorities choose to grant Permission in Principle through brownfield registers, they will need to follow a new process, which an initial assessment suggests would add a burden. Overall, there is a very low risk that any additional costs for local authorities will be passed onto developers.