

Title: Removing permitted development rights to change use or demolish pubs and other drinking establishments IA No: RPC17-CLG-4154(1) Lead department or agency: Department for Communities and Local Government Other departments or agencies:	Impact Assessment (IA)
	Date: 17/08/2017
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation
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Summary: Intervention and Options	RPC Opinion: Validated

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB on 2014 prices)	In scope of One-In, Three-Out? Measure qualifies as
£-1.22m	£-1.22m	£0.1m	Yes In

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

This measure follows a concession to a non-government amendment to the Neighbourhood Planning Act 2017, calling for greater protections for pubs and for a local decision on the change of use or demolition in all cases. A Government amendment in lieu introduced section 15 of the Act, which placed a duty on the Secretary of State to bring forward an Order removing the permitted development rights for change of use and demolition for all drinking establishments, including pubs, in England as soon as reasonably practicable. The resulting secondary legislation came into force on 23 May.

Recent years have seen a reduction in the number of public houses, with the Campaign for Real Ale (CAMRA) reporting approximately 21 pubs closing per week, of which 30% change use. While the majority of pubs which change use do so having been granted planning permission by the local planning authority on a planning application, some change use, for example to retail, or are demolished, under permitted development rights. In such cases, there is no opportunity for local communities to have a say on the future of their local pub. In addition, there have been calls to provide further support to pubs looking to respond to a changing market by extending permitted development rights to allow them to expand their food offer without the cost and uncertainty of having to apply for planning permission.

What are the policy objectives and the intended effects?

The objectives were twofold:

- (i) to ensure that there can be local consideration of the change of use or demolition of drinking establishments, including pubs, through the planning application process. This provides an opportunity for the local planning authority to consider the planning merits and an opportunity for the community to comment on the future of their local pub;
- (ii) to help support pubs to remain viable by introducing a new permitted development right to allow drinking establishments to expand their food offer without the need to apply for planning permission.

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

Do Nothing: This option involves no change to the existing permitted development rights which apply to change of use of all A4 drinking establishments. These enable drinking establishments to change use to shops, restaurants, cafes, banks or building societies, or to a flexible temporary use including an office or a school, or be demolished, without the need to submit a full application for planning permission. This would not meet the duty in the Neighbourhood Planning Act 2017. Neither would it address concerns that local communities are unable to comment on proposals to change use of or demolish pubs under existing permitted development rights, nor provide the reduced cost and certainty of providing a permitted development right for an expanded food offer.

Option 1. Preferred Option: To meet the duty in the Act and remove the permitted development rights which allow drinking establishments to change their use or be demolished, and so ensure that there can be local consideration through the planning application process. Also to introduce a new right to enable such uses to expand their food offer beyond that which is ancillary.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** May 2022

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: 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 Minister

Alok Sharma

Date

28 August 2017

Summary: Analysis & Evidence

Policy Option 1

Description: Permission in principle for brownfield registers

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: -1.84	High: -0.59	Best Estimate: -1.22
2016	2017	10			

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0		0.1	0.6
High	0		0.2	1.8
Best Estimate	0		0.1	1.2

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

There will be increased costs to owners of A4 drinking establishments (except for those that are nominated or listed as an Asset of Community Value), that wish to change use to those uses for which they previously had a permitted development right, or demolish the building. These owners will need to apply for planning permission to make such changes. We do not consider there to be additional familiarisation costs as a result of this proposal, as planning permission is already required when changing use to other uses such as residential, to which the greatest proportion of A4 drinking establishments change use, or when physical works are to be carried out.

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

Costs to local planning authorities for determining planning applications will be met by the planning application fee.

Any compensation liability payable by the local planning authority where they subsequently refuse an application for planning permission, or grant permission subject to conditions, for the development which previously benefited from permitted development rights, will be limited to a twelve month period.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	1	0	0
High	0		0	0
Best Estimate	0		0	0

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

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

Local planning authorities will be able to make a local decision in respect of the change of use or demolition of all drinking establishments, based on local plan policy.

Businesses will no longer be required to request confirmation of whether the drinking establishment has been nominated or listed as an Asset of Community Value (ACV).

Drinking establishments will be able to expand their food offer to support their continued viability, without the cost and uncertainty associated with having to apply for planning permission.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5%
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BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0.1	Benefits: 0	Net: -0.1	

Evidence Base

Problem under consideration

There has been a reduction in the number of public houses around the country over a number of years. The Campaign for Real Ale (CAMRA) estimates that there is currently a net loss of approximately 21 pubs per week across the UK¹. There are currently approximately 50,000 pubs in the UK² with around 44,000 of these being in England. While the majority (approximately 85%) which change use do so having been granted planning permission, according to figures produced by CAMRA [attached as Annex 1] some pubs change to specified uses under permitted development rights. In such cases, there is no opportunity for a local decision or for local communities to comment on the loss of a valued community pub.

In 2015 the permitted development rights for the change of use to a shop or a bank etc. or for demolition were removed for pubs or other A4 drinking establishments nominated or listed as an Asset of Community Value. CAMRA estimate that around 2,000 pubs have been nominated or listed as an Asset of Community Value.

In order to boost their continued viability, some pubs wish to expand their food offer. Industry figures from global information provider 'The NPD Group³' show that pubs are increasingly a place where people choose to eat and drink, rather than solely to drink. They state that for the year ending December 2014 less than 1 in 10 pub visits (8.4%) exclusively featured beverages. In order to respond to these changes in the market and to help with the on-going viability of pubs, there was a call for pubs to be able to expand their food offer (beyond a level which was purely ancillary) without the cost and uncertainty of having to apply for planning permission. While the focus of debate has been on pubs, the permitted development rights and therefore the new protections and freedoms, apply equally to all drinking establishments.

Context

Public houses are in the A4 'drinking establishments' use class, alongside wine-bars and "other drinking establishments". The Town and Country Planning (Use Classes) Order 1987 (as amended) (the Use Classes Order⁴), groups together uses which are considered to have similar land use impacts into classes. Change of use within a class does not constitute development and therefore planning permission is not required. The Use Classes Order does not specify other drinking establishments within the class. However, we consider that it is reasonable to assume that the majority of premises within the A4 use class will be pubs. Pubs and other drinking establishments can provide a food offer, as long as this is ancillary to their operation as a drinking establishment. Planning permission is required if the drinking establishment wishes to expand the food offer to the extent that the operation becomes a 'mixed use', drinking establishment/restaurant. It is for the local planning authority to determine on a case by case basis as 'a matter of fact and degree' as to whether there is a material change of use and therefore an application for planning permission is required.

¹ http://www.camra.org.uk/home/-/asset_publisher/UzG2SEmQMtPf/content/pub-closures-fall-as-the-public-is-urged-to-continue-support

² <http://www.beerandpub.com/statistics>

³ <https://www.npdgroup.co.uk/wps/portal/npd/uk/news/press-releases/pubs-continue-to-build-on-food-success/>

⁴ <http://www.legislation.gov.uk/ukSI/1987/764/contents/made>

National permitted development rights (PDRs) enable certain types of development to be undertaken without the need for specific planning permission where the need to apply for permission would be out of proportion with the impacts of development.

Until May 2017, permitted development rights, as set out in the Town and Country Planning (General Permitted Development) (England) Order 2015, as amended, allowed:

- the change of use of an A4 drinking establishment (including a pub) to a restaurant or café (A3), bank or building society etc. (A2), or a shop (A1)
- the temporary change of use from specified uses, including A4 drinking establishments, for two years to a flexible use, including an office (B1)
- the temporary change of use of a building to a school for two academic years
- demolition of buildings.

(Note that an application for planning permission was always required for other changes of use, for example to residential use etc.)

Local authorities have powers, under Article 4 of the Town and Country Planning (General Permitted Development) (England) Order 2015, as amended, to remove permitted development rights where it necessary to protect the amenity or wellbeing of the area. Directions made under these powers are known as “Article 4 directions”. A direction can be used to remove a permitted development right for individual premises or such uses within an area.

Under the Localism Act 2011 and Assets of Community Value Regulations 2012, local communities can nominate land or buildings to be listed as an Asset of Community Value. The nomination needs to set out why the land or building meets the definition in the regulations that assets must further the social wellbeing or social interests of the local community, and it must be realistic to think that there can continue to be such a benefit. Once listed, the community has first refusal should the asset come up for sale, and the owner is not able to sell the property on the open market for 6 months should the community register an interest in purchasing the asset.

In response to concerns raised that viable community pubs were changing use using permitted development rights without local people being given an opportunity to comment on the proposals, the Government introduced legislation in April 2015, under which the nomination or listing of a pub as an Asset of Community Value in England triggers the disapplication of national permitted development rights from that drinking establishment. This ensured that there could be local determination of a planning application for the change of use or demolition of those pubs (A4 drinking establishments) the community has shown it values the most. Approximately 2,000 local pubs (A4 drinking establishments) have now been listed as an Asset of Community Value. However, there was some concern that this measure did not go far enough and that all pubs should be protected.

Rationale for intervention

Research by the Institute of Economic Affairs⁵ suggests that the UK has lost 21,000 pubs since 1980, and that half of these closures have taken place since 2006. Concerns have continued to be raised by groups such as the Campaign for Real Ale (CAMRA), the All Party Parliamentary Save the Pub Group, and various Members of Parliament and the House of Lords about the numbers of pubs that are closing, and the lack of an opportunity for local communities to have a say when pubs change use under permitted development rights.

⁵ <https://iea.org.uk/publications/research/closing-time-whos-killing-the-british-pub>

During the passage of the Neighbourhood Planning Act 2017, non-government amendments were tabled in both the House of Commons and the House of Lords seeking to remove permitted development rights for the change of use or demolition of drinking establishments, particularly pubs. Planning protections for pubs were debated in both Houses, with the amendments attracting cross party support. In response, the Government tabled an amendment in lieu which places a duty on the Secretary of State to bring forward legislation to remove the permitted development rights which allow drinking establishments, including pubs, to change their use or be demolished, and so ensure that there can be local consideration in all such cases through the planning application process, not just where the drinking establishment has been nominated or listed as an Asset of Community Value. In addition, the provisions in the Act require permitted development rights to be extended to allow drinking establishments to provide an expanded food offer without the need to apply for planning permission.

The changes were therefore subject to parliamentary scrutiny in both Houses, and the timetable was driven by the parliamentary process and the duty placed on the Secretary of State by section 15 of the Act to bring forward an Order as soon as is reasonably practicable after the Act came into force. The Neighbourhood Planning Act received Royal Assent on 27 April 2017 and the relevant Order, removing the permitted development rights for change of use and demolition for all drinking establishments, was laid before Parliament on 28 April 2017 and came into force on 23 May.

As set out above, CAMRA estimates that 21 pubs are closing each week, and that 15% of those that change use do so under permitted development rights (Annex 1). Separate research suggests that 5 out of 6 pubs sold in 2016 remained as pubs⁶. Figures produced by Fleurets⁷ show that of those pubs sold from 2014-16, 44% changed to an alternative use, while 56% remained as pubs. Of those sold for an alternative use, 67% went to residential and other uses requiring planning permission, while 33% went to uses which are possible under permitted development rights. We do not hold any figures for how many drinking establishments, including pubs, are demolished under permitted development rights. Nor do we hold data on how many drinking establishments other than pubs, such as bars or wine bars, change use.

Policy objective

Removing all the existing permitted development rights which allow drinking establishments to change their use or be demolished ensures that there can be local consideration through the planning application process in all cases. This also removes the need for communities to seek in future to protect their local pub by nominating it for listing as an Asset of Community Value in order to remove the permitted development rights.

The focus of Parliamentary debate was to protect pubs by allowing for local planning consideration in all cases. However, pubs fall within the A4 drinking establishments use class alongside other similar uses such as bars and wine bars, and the legislation applies to all A4 uses. There is no clear legal definition of a 'pub' and in practice there is not always a clear distinction between pubs and other drinking establishments, meaning that it is not possible to legislate only in respect of 'pubs'.

To ensure that pubs and other drinking establishments can continue to diversify easily by increasing their food offer, the Government has introduced a new permitted development right to allow A4 drinking establishments to expand their food offer beyond that which is

⁶ <http://www.morningadvertiser.co.uk/Legal/Property-law/Pub-closure-figures-for-2016-released-by-Christe-Co>

⁷ <http://www.fleurets.com/market-intelligence/media/surveyprices.pdf>

ancillary. The right allows the A4 drinking establishment to change to an A4 use with A3 restaurant or café use, and then to change to use as an A4 drinking establishment in the future, without the need to apply for planning permission. This removes the uncertainty as to whether there is a need to seek planning permission when increasing the food offer, while retaining the operation as a drinking establishment. The permitted development right for demolition also does not apply to such uses.

To provide certainty for businesses already in the process of changing use before the new regulations came into force, transitional arrangements were included in the Order. These allow businesses who have confirmed that the drinking establishment is not nominated or listed as an Asset of Community Value more than 56 days before the regulations come into force, to change use, but must do so within one year of the confirmation. Where they are seeking to demolish the premises, they must additionally have received prior approval (granted, not required or deemed consent) for the method of demolition. If the drinking establishment is nominated or listed in this period then the rights are removed.

Where a local planning authority has removed the permitted development right for the change of use from an A4 drinking establishment to an A3 restaurant or café by making an Article 4 direction, the right for the expanded food offer will not take effect until November 2018. This will allow the local planning authority to consult and make an Article 4 direction in respect of the new right where it is necessary to protect the amenity or wellbeing of the area.

Description of options considered

Do nothing: This option would not meet the duty in the Neighbourhood Planning Act to amend legislation. It involves no change to the existing permitted development rights which apply to change of use of all A4 drinking establishments, including pubs, unless they are nominated or listed as an Asset of Community Value. Planning permission is required to expand the food offer beyond that which is ancillary. This option would not address concerns around the fact that local communities are unable to comment on proposals to change use of or demolish pubs under existing permitted development rights.

The Government's preferred approach: To remove the permitted development rights which allow drinking establishments, including pubs, to change their use or be demolished, and so ensure that there can be local consideration in all such cases through the planning application process. To allow drinking establishments to expand their food offer to support their on-going viability.

Costs and benefits of the preferred option

The costs and benefits of the preferred option will impact on the main affected groups in the following way:

For business

Businesses / developers are subject to additional costs from submitting a planning application for the change of use of the drinking establishment to a restaurant or cafe, financial and professional service, shop, or a state funded school for two academic years, or to a range of other uses for a period of two years, or for demolition. There is also an opportunity cost on a business that may no longer be able to change the use of their building if an application for planning permission is rejected.

Businesses / developers may benefit from the new right that enables them to expand their food offer beyond that which is considered ancillary. If required, in future they may reduce

their food offer and change use to an A4 drinking establishment. Where businesses already have planning permission for mixed use A4 with A3 restaurant or café, they may use the new right to change to an A4 drinking establishment use.

For Local Authorities

Local planning authorities may face an increased administrative burden due to an increase in the number of planning applications, but this will be offset by the planning application fees. This may also be offset to some extent by the new permitted development right for drinking establishments, including pubs, to expand their food offer without the need to apply for planning permission.

Compensation may be payable where national permitted development rights are removed, and planning permission is refused for the same development, or granted subject to conditions. The grounds on which compensation can be claimed are limited to abortive expenditure or other loss or damage directly attributable to the withdrawal of permitted development rights. The compensation regulations have been amended to limit any liability on local planning authorities to a period of twelve months. Where a local authority has made an Article 4 direction to remove a permitted development right, the authority cannot charge a planning application fee for such development. However, this does not apply where permitted development rights are removed nationally. Therefore from 23 May 2017 those areas that have introduced Article 4 directions in relation to the change of use or demolition of A4 drinking establishments are now able to charge a planning application fee for such development.

Assessment of Costs and Benefits

There are two main costs to business from this policy: the cost of making a planning application in lieu of seeking prior approval to exercise permitted development rights; and the opportunity cost of a business that may no longer be able to change the use of their building. Each of these is discussed below.

Number of drinking establishments, including pubs, changing use through permitted development rights

We are not aware of any data which covers the range of 'drinking establishments', including wine bars or bars. Therefore the analysis is focused on CAMRA data in respect of pubs as we believe it is reasonable to assume that pubs make up the majority of uses within the A4 use class.

There are currently 2,000 pubs listed as ACVs in England⁸ out of a total of 44,000 pubs, therefore 42,000 pubs would be affected by the removal of permitted development rights. Separately 44 Article 4 directions have been made to remove one or more permitted development rights for a specific pub or pubs in an area.

CAMRA estimate 2.5% of pubs close annually. We have identified two data sources to indicate the number of pubs changing use annually through permitted development rights which would now incur the cost of a planning application to change use. We consider both data sets to estimate a high and low impact scenario.

⁸ http://www.camra.org.uk/home/-/asset_publisher/UzG2SEmQMtPf/content/2-000-pubs-nominated-as-acvs-shows-huge-appetite-for-permanent-plans-to-protect-pu-1

1. CAMRA data: CAMRA's briefing for the Neighbourhood Planning Bill (see Annex 1)⁹ estimates 2.5% of pubs close annually and 30% of these change use. Of those that change use, CAMRA estimates 15% do so through PDRs (based on a 3 year average of the most recent data). This would suggest that approximately 50 pubs would incur the cost of a planning application annually ($2.5\% \times 30\% \times 15\% \times 42,000$).
2. Fleurets data¹⁰: We assume that all of the 2.5% of pubs which close annually (CAMRA) would be sold. Fleurets data suggests that from 2014-16, of the pubs that were sold, 44% changed use and of those that changed use 33% could have done so through PDRs. This suggests that approximately 150 pubs would incur the cost of a planning application annually ($2.5\% \times 44\% \times 33\% \times 42,000$).

This gives a range of 50-150 pubs incurring the cost of a planning application annually as a result of the removal of PDRs.

Cost of making a planning application

The changes require a planning application for the change use of a pub or other drinking establishment, or to have the building demolished, where previously there was none. Research commissioned by the Department¹¹ found that the cost to developers of preparing and submitting a planning application for change of use is between £330 and £3,870 (adjusted for inflation). We have therefore used the estimated average cost from this research of £1,430 as a central estimate of the costs of change of use planning applications. This cost represents those costs that are specific or additional relating to the requirement for planning permission, as distinct from those other costs associated with changing use, such as, for example, producing and implementing a design scheme.

Using our estimate of the number of additional pubs applying for planning permission each year, this suggests an annual cost to business of approximately £75,000-£215,000 ($50 \times £1,430$ to $150 \times £1,430$). Taking an average of the two estimates gives a central estimate of approximately £145,000 per year. We do not hold figures in respect of other types of drinking establishments and therefore we are not able to estimate any costs in respect of such uses, although it is reasonable to assume that pubs make up the vast majority of uses within the A4 use class.

The permitted development right for demolition enabled drinking establishments to be demolished subject to prior approval on the method of demolition. We do not hold data on how many pubs or other drinking establishments were demolished under the right. A planning application will now be required for demolition of drinking establishments, including those with an expanded food offer under the new right. In practice the planning application for any major redevelopment of the site would also include the demolition of the original building as necessary. In such cases, there are no additional costs or delay from removing the right. Only where the premises are demolished and site restoration undertaken with no associated plans for redevelopment, will there be an additional quantified cost. We are not able to estimate the costs based on the data available.

Businesses/ developers will already be familiar with the planning application process as planning permission is already needed to change to uses not included in the current permitted development right, such as to residential use. Planning permission is also needed

⁹ Note CAMRA uses a variety of data sources, including Fleurets.

¹⁰ <http://www.fleurets.com/market-intelligence/media/surveyprices.pdf>

¹¹

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

in order to make external changes to a building such as a new frontage or an extension. We do not consider there to be additional familiarisation costs as a result of this proposal, consistent with previous Impact Assessments relating to permitted development rights (e.g. RPC14-FT-CLG-2147(2) and RPC15-CLG-3032 (2)).

Other considerations

Land value

Planning applications must be determined in accordance with the local plan and national policy unless material considerations indicate otherwise. Currently 87%¹² of planning applications are granted planning permission. Of those that go to appeal, 34%¹³ are allowed. The removed permitted development rights allowed the change of use to use classes with lower planning land use impacts, and therefore it is reasonable to assume that the figures granted permission will be in line with average figures or higher. Permitted development rights can increase the land value of a site by bringing forward the land value uplift associated with planning permission for a higher value use (see RPC15-CLG-3032(2)). Therefore the removal of rights could decrease the value of land. We do not hold data on the land values of drinking establishments or the other uses permitted under the previous rights, however we expect the difference in land value to be minimal between a pub and a shop for example, and therefore it would be disproportionate to attempt to quantify.

CAMRA report that based on a three year average, 55% of those pubs changing use do so to residential use via a planning application. The requirement to submit a planning application for those changes of use previously possible under permitted development rights may see an increase in the average of 55% of pubs that change use to residential, as more developers chose to seek the higher land value residential use generally provides instead of changing to uses with a lower value such as a bank or a shop, for example.

Compensation

Where a local authority subsequently refuses to grant planning permission for a drinking establishment pub which no longer benefits from permitted development rights, compensation under planning regulations will be payable. The level of compensation is a matter for individual agreement with the local planning authority, and so it is not possible to estimate how much will be paid out to offset against the costs identified above. But to help to protect local planning authorities from any compensation liability arising from the removal of national permitted development rights, the Government has also amended the compensation regulations to limit to twelve months the period of any potential liability on local planning authorities in such cases.

Delay

In theory costs may be incurred from the delay to what would previously have been permitted development. However, under the previous regulations, a developer had first to seek confirmation as to whether the pub is listed or nominated as an Asset of Community Value. The local planning authority had 56 days in which to respond. The development cannot begin within this 8 week period. This is the same timescale within which a local planning authority is required to determine a minor planning application, such as for the change of use. We consider therefore that there are no additional costs to developers as a result of delay.

In theory, the cost to business of the delays is ultimately the cost associated with a delay in the increase in the value of the unit resulting from permission to change its use. In addition,

¹² <https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics>

¹³ <https://www.gov.uk/government/statistics/planning-inspectorate-statistics>

in practice some or all of this time delay may be offset by other steps involved with the change in use. This may include, for example, the need for other planning permissions for physical works not allowed under the permitted development rights, necessary to enable the building to be used for uses other than a pub. For example, planning permission may be necessary for an extension to the building to accommodate additional storage or refrigeration, or for loading bays. The application for the change of use and physical works would now form part of a single planning application and would therefore not add to delay or costs. Given that we do not anticipate more than 150 pubs per year being required to submit a planning application as a result of this regulatory change, we do not expect any costs arising from delays due to having to go through the planning process to have a material impact on our analysis.

Our exclusion of delays in the planning process in our calculation is consistent with the approach we have taken in triage and impact assessments where we have introduced permitted development rights (see 'Reducing planning regulations to support housing, high streets and growth', RPC 14-FT-CLG-2147(2)).

Benefits to business

There will be benefits to businesses (owners of drinking establishments, including pubs) from the new right for an expanded food offer. The right enables businesses in future to diversify by expanding their food offer beyond that which is considered ancillary to the drinking establishment, without the need for planning permission. This provides such businesses with increased certainty as to whether they can diversify, and removes the associated costs of applying for planning permission (estimated at £1,430 elsewhere).

Should owners of drinking establishments with the expanded A3 food offer later choose, they can reduce their food offer and change to an A4 drinking establishment use once again. In addition, those that have planning permission for mixed use A4 / A3 can change use to an A4 drinking establishment under the right. Again this will provide greater certainty and reduced costs to business.

Based on the information available it is not possible to estimate how many drinking establishments may choose to change use under the right, and therefore we have not included any estimate of the financial benefits to business in our assessment.

The wider economic impact

The protections mean that in future, individuals and community groups are able to feed their comments directly to the local planning authority on any planning applications to change the use of, or to demolish, pubs or other drinking establishments. The process for interested parties to comment on planning applications is clear and transparent. Comments on planning matters may be taken into account in the determination of a planning application. Where planning permission is refused, the drinking establishment is not able to change use or be demolished (although they do have the right to appeal the refusal of planning permission).

It also avoids communities having to nominate a local pub as an Asset of Community Value to ensure it cannot use permitted development rights to change use or be demolished without a planning application and an opportunity for the community to comment.

Risks and assumptions

Direct costs and benefits to business calculations (following OI3O methodology)

There are two costs to business from this policy - Option 1. The cost of making a planning application and the potential opportunity cost of a business that may no longer be able to change the use of their building. The Equivalent Annual Net Direct Cost to Business is £0.1m.

Summary of direct costs (to business, £m)

Year		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Cost of submitting a planning application	Low	£0.1	£0.1	£0.1	£0.1	£0.1	£0.1	£0.1	£0.1	£0.1	£0.1	£0.7
	High	£0.2	£0.2	£0.2	£0.2	£0.2	£0.2	£0.2	£0.2	£0.2	£0.2	£2.1
	Central	£0.1	£0.1	£0.1	£0.1	£0.1	£0.1	£0.1	£0.1	£0.1	£0.1	£1.4

Extract from CAMRA briefing - Neighbourhood Planning Act

Pub Closure and Conversion Data

Pub closures remain at a high rate with a net closure rate of 21 pubs a week across the whole UK.

The table below shows that a significant minority of pubs sold are sold for alternative use.

Estate Agent	2012	2013	2014	2015	2016
Fleurets	46%	44%	43%	50%	38%
Christie & Co	38%	33%	20%	16%	17%

Percentage of pubs sold for alternative use

The table below indicates that a minority of pubs that are sold for alternative uses (retail and temporary office use) are sold for uses that do not require planning permission for that change.

	2011	2012	2013	2014	2015	2016
Residential	47%	54%	59%	60%	56%	50%
Retail	26%	14%	18%	14%	12%	5%
Office	7%	4%	5%	3%	7%	4%
Other	20%	28%	18%	23%	25%	41%

Percentage of pubs sold for alternative use:
breakdown by category

The vast majority of sales for alternative use, even at the peak of conversion to retail use, were for residential conversion and other use which require planning permission. Therefore, the impact of this clause on property owners will be limited as it is already the case that the majority of conversions require planning permission.