Foreword - Cllr Ruffell, Cabinet Member for Planning and Infrastructure

Permitted development rights that allow the conversion of offices to homes provide an important supply of housing and can help to make efficient use of disused office buildings. However, as these are not subject to normal planning controls, there are concerns about the wider impacts of these conversions, and in particular the size and quality of the accommodation that is being created. In response to the Council resolution in March 2017, this paper includes an audit of relevant schemes and suggests ways in which potential impacts could be assessed further.

Recommendation to Economic, Planning and Housing Committee:

It is recommended that:

- The contents of this report are noted; and
- The Committee consider what further analysis should be completed to better understand the impacts of office to residential permitted developments in the borough.

Background, corporate objectives and priorities

The considerations outlined in this report directly support the following priorities in the Council Plan:

- Planning policies that safeguard local distinctiveness;
- Improving residents’ quality of life; and
- Promote strong communities.
Main considerations

1 Executive Summary

1.1 In March 2017, Full Council resolved to undertake an audit of office to residential permitted development in the borough to gain a more detailed understanding of what schemes had been permitted and where. Particular concern was raised about the size and quality of the accommodation created.

1.2 The Government introduced a temporary change in permitted development rights in 2013 to enable commercial buildings to be converted into residential use without the need for planning permission. The reason behind this change in approach was principally to increase the supply of new homes, supporting the Government’s overall agenda of boosting housing supply nationally. The Government was concerned that their housing targets were not being achieved and this change was aimed at providing greater certainty in housing delivery.

1.3 The report sets out an initial audit of the impact of this change to permitted development rights upon Basingstoke and Deane borough, focusing on the developments either delivered or due to be delivered through these means. The report shows that Permitted Development schemes have made a significant contribution to the borough’s land supply over recent years, with almost 900 additional units due to be delivered. Such development has generally been focused in Basingstoke Town Centre, with some development in the borough’s strategic employment areas.

1.4 Members are invited to consider whether they would like the impacts of office to residential conversions to be assessed further and this report outlines how this could be done. Any further work will be brought back to a future meeting of the Economic, Planning and Housing Committee.

2 The Proposal

2.1 Full Council resolved the following in March and the full resolution is outlined in appendix 1 to this report:

Request, that officers in the first instance undertake an audit of office to residential permitted development in Basingstoke & Deane, including collating the number of units and floor space sizes proposed and delivered in these developments. That this data be presented to the Economic, Planning and Housing Committee where consideration can be given to issues raised by the audit.
2.2 This report responds to the resolution and addresses the points raised.

3 Key issues for consideration

Background to Office to Residential Permitted Development Rights

3.1 Permitted development rights were initially introduced by the Government as a temporary measure in May 2013 to reduce the level of regulation that was perceived to have slowed down the delivery of new homes. This was part of the Government’s wider agenda of increasing housing delivery nationally to meet growing needs. It was considered that the new permitted development rights would help to boost the supply of new housing, making the best use of existing buildings and promoting brownfield regeneration. Whilst the total number of units created nationally under these rights is not available, the Government has stated that 12,800 homes came from the permitted development rights during the 2015/16 monitoring year. The Government considered that the temporary changes were a success and, as a result, the permitted development rights were made permanent in October 2015.

3.2 Permitted development rights were also introduced to allow the conversion of storage buildings (B8) to residential in April 2015 and further permitted development rights will come into force in October 2017 which allow for the conversion of light industrial buildings (Use Class B1(c)) into homes.

3.3 Under the rights, instead of submitting a planning application in the usual way (that would be assessed against the policies in the development plan), a developer can submit an application for prior approval. The Local Planning Authority (LPA) has 56 days to consider the application, but for office conversions it is only able to consider the following matters:

- Flooding risks on the site;
- Contamination risks;
- Highways and transport impacts of the development (car parking can be considered as part of this); and
- Impacts of noise from commercial premises on the intended occupiers of the development.

3.4 The LPA is not able to consider anything other than the specified matters/impacts and is unable to implement additional controls or conditions that do not relate to these matters. Although a prior approval application may be supported by information to demonstrate compliance with the above matters, the regulations only require the applicant to provide a written description of the development; a plan identifying the building; and information about the number of units proposed.

3.5 Should a prior approval application be permitted, the applicant is still required to seek Building Regulations approval in the normal way and therefore whether it is low or high rise, a Building Regulations application will be required. This process will deal with issues such as means of escape in case of fire, thermal insulation and any requirements where cladding is fitted. The developer can choose to either use the Local Authority Building Control service or an Approved Inspector. The process involves assessing the
proposed plans, consulting with the Fire Officer on buildings where there are shared staircases, inspecting the work at various stages and issuing a completion certificate. The Local Authority must follow a strict protocol when the work is dealt with by an Approved Inspector and must not be involved in any of the normal processes unless the work ‘reverts’ back to the Local Authority at the request of the applicant. The current conversion of Churchill Plaza, for example, is using an Approved Inspector for the Building Control function.

Uptake of office to residential conversions in the borough

3.6 As of 1 April 2017, prior approval had been permitted on a total of 39 sites. If these were all implemented, they would result in the delivery of almost 900 new homes.

3.7 17 schemes had been completed by 1 April 2017, resulting in the delivery of 292 new homes and the loss of 17,085sqm of employment floorspace. The largest schemes completed thus far are the Wella Building (in Brighton Hill Employment Area) which delivered 63 new homes, and Dextra Court on Chapel Hill which delivered 56 new homes. The following table provides further information:

<table>
<thead>
<tr>
<th>Year</th>
<th>Applications granted*</th>
<th>Potential gain in residential units</th>
<th>No of schemes completed</th>
<th>New dwellings delivered</th>
<th>% of total housing delivery</th>
<th>Loss in employment floorspace (m2)</th>
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<tr>
<td>2013/14</td>
<td>3</td>
<td>26</td>
<td>0</td>
<td>0</td>
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<td>2014/15</td>
<td>15</td>
<td>271</td>
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<td>12</td>
<td>295</td>
<td>8</td>
<td>205</td>
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<td>12,501</td>
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<tr>
<td>2016/17</td>
<td>9</td>
<td>307</td>
<td>9</td>
<td>87</td>
<td>Not available</td>
<td>4,584</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>899</td>
<td>17</td>
<td>292</td>
<td>-</td>
<td>17,085</td>
</tr>
</tbody>
</table>

Table 1: Number of permissions and completions of office conversions in the borough by year.

* Where multiple applications have been submitted on the same site, only the most recent application has been counted to avoid double-counting.

3.8 In terms of conversions from storage buildings (B8) to residential, only one application has been submitted in the borough to date. This proposed to create three residential units at Farleigh Wallop and has yet to be implemented.
Understanding the impacts of office to residential conversions

3.9 As set out above, office to residential conversions have made a notable contribution to the borough’s recent housing completions figures and make up a notable proportion of the Council’s current five year housing land supply of deliverable sites. Permitted Development rights have therefore helped to boost the borough’s land supply position and counteract any reduced delivery from other housing sources.

3.10 In order to inform members’ understanding of the impacts of the conversions, a number of suggested areas for detailed investigation are set out below:

Location and type of conversions

3.11 Appendix 2 illustrates where prior approvals have been allowed in Basingstoke Town up to April 2017. It also notes where there have been prior approval schemes outside of the town, though these are fewer in number and generally only on small sites. Appendix 3 maps where such schemes have been completed up to April 2017. This shows a particular clustering of implemented schemes around Basingstoke town centre. Two further implemented schemes lie outside of the area shown on the map, in Old Basing and Overton.

3.12 Further work could provide a more rigorous assessment of what types of buildings have been converted. The detailed assessment could consider whether buildings were large or small; old or modern; and whether they resulted in the loss of occupied office space.

3.13 This assessment could also review the pattern of conversions over time to understand whether the types of buildings being converted has changed. It would be expected that the most economically unviable stock would have been converted first and so the type of building converted may have changed over time as these are in finite supply. This analysis may provide an indication of what types of buildings may be converted in the future.

Impact upon the office market

3.14 The conversion of offices has had the benefit of removing redundant stock and improving the operation of the local office market. The Enterprise M3 Commercial Market Study (2016)\(^1\) states that the oversupply of poor office space is a ‘key challenge’ in Basingstoke, and that local agents viewed permitted development rights as having had a positive effect ‘by removing poor quality, unoccupied space which no longer meets business requirements’. Data from December 2015 showed that there was an oversupply of offices in the borough, with approximately 60,000sqm of vacant stock. This is in excess of the normal level of vacancy churn that would be expected in the market.

3.15 As shown on the map in Appendix 2, few conversions have taken place in the borough’s Strategic Employment Areas (SEAs), the most important

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\(^1\) Enterprise M3 Commercial Property Market Study (Regeneris, 2016) para 8.18
employment sites in the borough, as allocated in the adopted Local Plan. However, there is a clustering within the Brighton Hill SEA with 116 units allowed on four schemes. It is worthy of note that the council has the ability to protect employment land within its ownership, such as in the wider Basing View area (including station approach).

Impact upon infrastructure

3.16 It is not possible to secure planning obligations from permitted development. This means that these new residential units are not contributing towards infrastructure in the area, including roads, schools, public open space, community facilities and affordable housing.

3.17 It would be possible to undertake an analysis of what contributions would have been sought had the Council been able to secure them.

Quality of housing

3.18 Officers have completed an initial review of internal floor areas on relevant schemes against the government’s nationally described internal space standards. The Government introduced a national space standard in 2015 that LPAs could chose to adopt through their Local Plans. As this was introduced too late for inclusion in the adopted Local Plan (2011 – 2029), it is not a relevant material consideration for planning applications in the borough. Nonetheless, it provides a helpful benchmark in relation to what the government considers to be appropriate internal floor areas.

3.19 The initial review of internal floor spaces has shown that permitted development schemes are providing units in line with national space standards (37m² for 1 person, 50m² for 2 people and 61m² for 3 people), although some fall below. For example, in the scheme for 283 flats at Churchill Plaza, the size of the units are generally in line with standards, although some of the studio flats are 24m². At Dextra Court the 1 bed flats are 54m² and the 2 bed flats are 63m² whilst at Cranbourne House, the 1 bed flats vary from 40m² to 54m².

3.20 It would be possible to undertake a more detailed assessment of floor spaces across schemes if this was considered useful. However, such data would be partial as floorspace information is not required as part of the prior approval process. It is also worthy of note that whilst space standards could potentially be introduced in the borough through a Local Plan review, these would not apply to permitted development schemes in any case. This is a result of LPAs not being able to control the quality of such schemes, either in terms of their physical appearance (unless a separate planning application is submitted for external changes to the building), or the occupiers’ amenities in terms of building layout, floor space sizes or garden areas.

3.21 Officers already assess the quality of completed schemes of over 10 units through Building for Life Assessments. This is a benchmark for design quality that the Council uses in the Authority Monitoring Report that has been endorsed by Design Council Cabe. This assesses issues such as a
development’s integration into the local neighbourhood and the extent to which it creates a ‘sense of place’.

3.22 Relevant qualifying schemes were assessed through the 2016 Authority Monitoring Report and each of the six prior approval schemes assessed were rated as ‘poor’. This was principally because they had no affordable housing, little residential amenity space or balconies, and no cycle parking. An assessment of schemes completed in 2016/17 could be reported back to Committee in due course, as part of the wider audit, along with further analysis of the conclusions reached.

Options available to the Council

3.23 A more detailed audit will provide an understanding about whether the conversions are resulting in issues in particular parts of the borough and whether any actions or interventions are necessary and can be taken.

3.24 The Local Planning Authority has powers to make an Article 4 Direction (Town and Country Planning (General Permitted Development) (England) Order 2015) to withdraw permitted development rights. However, a Direction should ‘be limited to situations where it is necessary to protect local amenity or the wellbeing of the area’ and harm can be demonstrated. There have been few Article 4 Directions served to protect office floorspace outside of London. Where these have been served, for example in Oxford, they have directly related to a constrained supply of employment land, the loss of which will threaten growth (for example, there is evidence that a shortage of suitable business premises has stopped existing businesses from expanding). In Oxford’s case it was also identified that, due to the constrained nature of the City, there were few opportunities to allocate new land to compensate for losses in the existing stock. Given the current employment land position in Basingstoke, as outlined in paragraph 3.13, the arguments applied in these cases would not be relevant to this borough.

3.25 The Government has recently indicated its intention to further limit Article 4 directions for office to residential conversions to just those areas that can show that they are meeting their ‘full housing need’ (where the local planning authority is delivering 100% or more of its housing requirement) and can continue to do so after removal of the permitted development right. The local planning authority would also need to provide robust evidence to demonstrate that removing the permitted development right is necessary to protect the amenity and well-being of the area where the right is to be removed. Given the continuing need for new homes in the area, in addition to the Council’s employment land position, it is considered that an Article 4 Direction would not be appropriate for Basingstoke and Deane and could not be justified at this time.

3.26 If particular impacts upon infrastructure are identified, this could help to inform the Council’s spending priorities. Permitted Development schemes do not generally contribute towards the Community Infrastructure Levy (CIL) as they do not result in additional floorspace on which CIL can be charged. Where

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2 NPPG ID: 13-038-20140306
additional floorspace is created, for example through the addition of a new floor, this will also be exempt from CIL, given the findings of the Viability Assessment which indicates that wholly flatted schemes cannot support a CIL charge without affecting viability. It is expected that CIL will be adopted before the end of the calendar year. Permitted development schemes do, however, contribute towards the New Homes Bonus at the current time. Revenue from CIL could potentially be used to help address impacts on infrastructure although this would need to be assessed in light of other strategic funding priorities, and considered in line with the Regulation 123 list associated with CIL. The Regulation 123 list specifies the projects the Borough Council intends will be, or may be, funded fully or partly by CIL in the future.

4 Options analysis

4.1 Members’ views are sought on the suggested further work that could be undertaken to further understand the impacts of office to residential conversions under permitted development in the borough.

Corporate implications

5 Legal Implications

5.1 There are no legal issues arising from the report at this stage.

6 Financial implications

6.1 As a result of residential conversions under permitted development rights, the council currently receives additional annual income from New Homes Bonus grant and an increase in council tax, which offsets the council’s share of the reduction in business rates income.

6.2 Under the current scheme for business rates retention, approximately 50% of the reduction in business rates is borne by the government whilst this council’s share is 40%. The remaining 10% relates to the county council and fire authorities shares. Further analysis would be needed to understand the overall change in income for the council.

7 Risk management

7.1 A risk assessment has been completed in accordance with the Council’s risk management process and has identified no significant (Red or Amber) risks.

8 Equalities implications

8.1 There are no equalities issues arising from this report at this stage.

9 Consultation and communication

9.1 There are no consultation and/or communication issues arising from this report at this stage.
10 HR implications

10.1 There are no HR implications arising from this report at this stage.

Conclusion

11 Summary and reason for the decision

11.1 Office to residential permitted development rights have resulted in the delivery of 292 new homes in the borough between 2013 and 2017, with a further 607 units benefitting from prior approval consent. These homes help to make efficient use of brownfield land, reusing the borough’s poor quality office stock and providing a significant contribution to the Council’s land supply position. However, as such schemes do not require full planning applications, their impact has not been fully considered or understood. This paper suggests a number of ways in which potential impacts could be analysed to ensure they are being planned for where possible. However, it must be noted that the Council will be unable to control or influence many factors involved with such development including the size of units, their design and location given the nature of prior approvals. Any further work will be reported back to the Committee in due course.

12 The options considered and rejected

12.1 An alternative would be to not undertake any more detailed research. However, it is considered that a more detailed assessment of the issues is required to inform the Council’s next steps.

Date: July 2017

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<tr>
<th>Lead officer</th>
<th>Matthew Evans</th>
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<tbody>
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<td><a href="mailto:joanne.brombley@basingstoke.gov.uk">joanne.brombley@basingstoke.gov.uk</a></td>
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<td>Confidentiality</td>
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Appendix 1: Notice of Motion - Audit of Office to Residential Permitted Development

Council notes that:

a) There are a significant and growing number of Office to Residential schemes being developed under the Government’s ‘permitted development rights’ policy in Basingstoke & Deane.

b) These developments are seeing ‘major’ buildings as well as smaller office blocks converted into homes outside of the local planning framework.

c) Recently, plans have been submitted for a permitted development scheme that includes a large number of ‘micro flats’ of just 30sqm and further, in a separate scheme, of just 29sqm.

d) Whilst there is local concern about the size of these homes there are no local policies governing floor space sizes even though we do have policies governing garden sizes.

e) Whilst permitted development would not fall within the Council’s Local Plan Policy Framework, it is important that this Council examines the issues associated with permitted development with a view to developing policy and guidance that would apply to applications for planning permission.

Council resolves to:

a) Request, that officers in the first instance undertake an audit of office to residential permitted development in Basingstoke & Deane, including collating the number of units and floor space sizes proposed and delivered in these developments. That this data be presented to the Economic, Planning, Housing Committee where consideration can be given to issues raised by the audit.
Appendix 2: Map of permitted Prior Approvals in Basingstoke Town (April 2017)
Appendix 3: Map of completed Prior Approvals in Basingstoke Town (April 17)