

# Insight focus

APRIL 2017

## Housing Delivery Test

As the Government is keen to speed up plan making and housing delivery, what will the new housing delivery test mean for councils across the country?



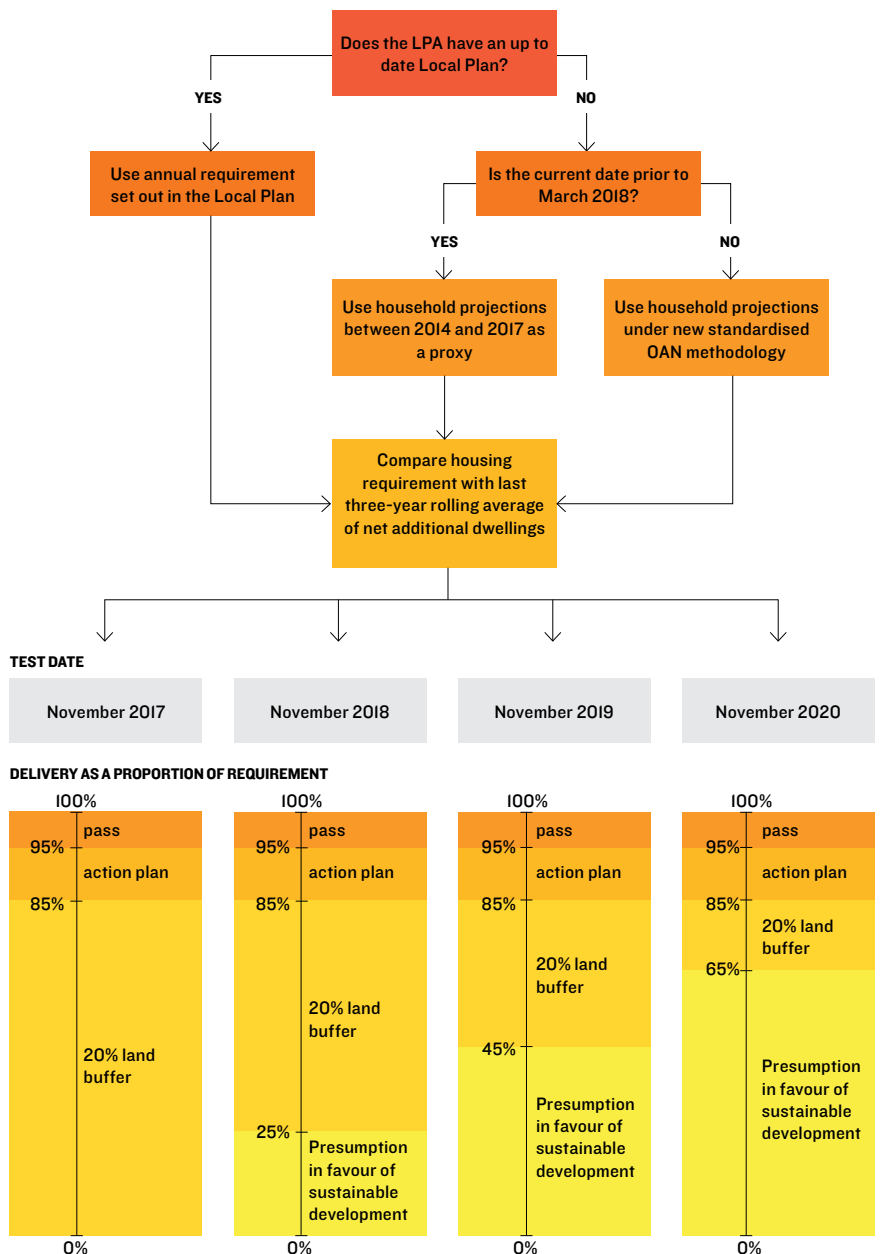
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The [Housing White Paper](#) is clear in its focus on speeding up the [plan-led system](#) for housing development. Among its many recommendations is overcoming the often disputed issue of agreeing housing requirements in local plans, and the Government will publish its proposals for a new methodology on objectively assessed housing need in due course. But the housing crisis won't be solved just by agreeing how many homes are needed; it's about how to encourage housing delivery too.

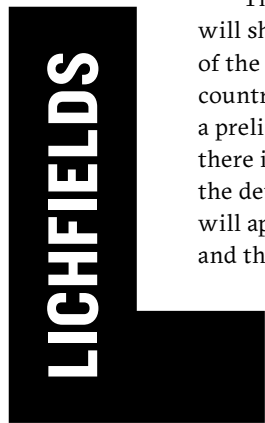
The housing delivery test will compare net additional dwellings with the housing target for the local area (Figure 1). At certain thresholds below this target, local authorities would be required to provide additional impetus to increase housebuilding. The housing requirement figure for the delivery test would be based on that in the up-to-date local plan, but in its absence, past delivery will be measured against the household projections until 2018/19 after which the figure from the new standardised housing need methodology will apply. Further, from 2018, the thresholds to trigger the 'presumption in favour of sustainable development' become progressively more stringent to 2020.

This Insight Focus will show the results of the test across the country. Clearly, this is a preliminary snapshot: there is a consultation, the details of how it will apply may change, and there are data issues to be resolved before a definitive view can be taken.

Figure 1: The Housing Delivery Test



Source : Lichfields





Where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken.

Housing White Paper

Methodology: The analysis compares the average net additional dwellings over the last three years (2013/14-2015/16) with the annual housing requirement in up-to-date local plans or the household projections where there is no up-to-date plan. Note that if the housing delivery test is to be officially rolled out this year (as per the Housing White Paper, subject to the consultation and changes after the General Election), net additional dwellings statistics for 2016/17 will be available, therefore the three years of analysis will shift forward one year, to 2014/15-2016/17, compared to the methodology presented in this Insight Focus.

## How will local areas be affected by the test?

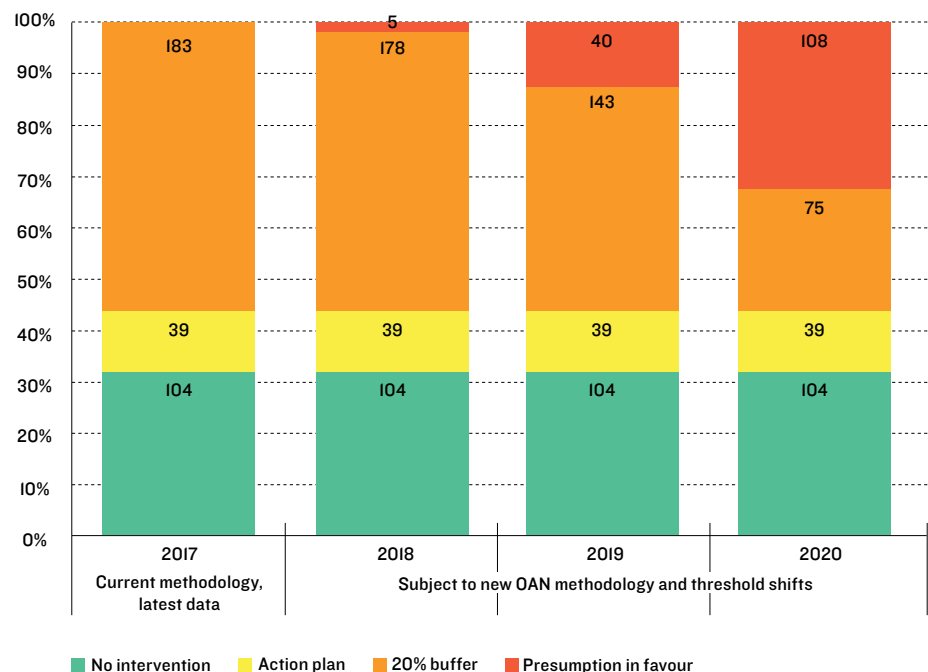
**Our analysis shows that in 2017 just under one-in-three authorities (104) would pass the test by providing more than 95% of their housing requirement** (Figure 2).

However, 12% of authorities would need to provide an 'action plan' setting out how they will make up the shortfall in housing delivery – as they delivered 85%-95% of their target - while 56% of local councils will need to provide an additional 20% buffer on to their five year land supply – as they delivered under 85% of the requirement figure.

**From 2018, the objectively assessed housing need methodology would change and the criteria threshold for the 'presumption in favour of sustainable development' would get tougher.** This is because it is highly likely the new methodology will define need in excess of a figure based solely on the household projections. Moreover, more local plans will be adopted over the course of the coming

years and so the underlying metrics driving the test will inevitably change. Some local authorities may be able to improve housing delivery, and the current stock of up-to-date Local Plans will begin to deliver on their allocations. However, to speculate what would happen *if nothing changed* we have rolled forward *current housing delivery statistics* against *existing housing requirements* and applied this to the more testing thresholds that kick-in for future years. Figure 2 shows that under this scenario many more authorities move from simply needing an additional 20% over and above their five-year land supply to triggering the 'presumption in favour of sustainable development'. In the three years from 2017 to 2020, the number of councils that would trigger the presumption shifts from five to 108, if delivery and requirements remain at existing levels. Clearly, this is purely hypothetical, but it shows how the ratchetting up of the thresholds will potentially drive performance.

Figure 2 : Housing delivery test breakdown



Source : DCLG, ONS, PINS, Lichfields

# Which regions will be most affected by the housing delivery test?

Using the same methodology from the previous page, we are also able to provide regional breakdowns of the local authorities most likely to be affected by the new housing delivery test.

**The first annual test is likely to show significant variation of attainment across the country** (Figure 3). Local authorities in London, East of England and the South East are likely to perform poorly with 61-70% of local areas within each region requiring an additional 20% on to their five-year land supply provision. Moreover, only a small proportion (18-23%) of authorities within these regions would pass the initial test and would not be expected to provide either an additional land buffer or an action plan stating how they will deliver homes. In contrast, local councils in the North East perform strongly – albeit this partly reflects lower household projections for a number of authorities without up-to-date plans. Around two-in-three councils in the North East would pass the test while one-in-three would require a land buffer.

**As different regions have a different number of councils within them, it is important to analyse council performance at a regional and national level.** For example, 70% of councils (47) in the South East will require a 20% buffer on their five-year land supply which accounts for 15% of all councils across the country needing this buffer. As individual northern regions generally contain fewer local authorities, the proportion of those all areas that would require a 20% land buffer is lower. Indeed, only 11% of authorities (37 in total) across the country that require a land buffer are located in the three northern regions: North East (1%), Yorkshire and Humber (4%) and North West (6%).

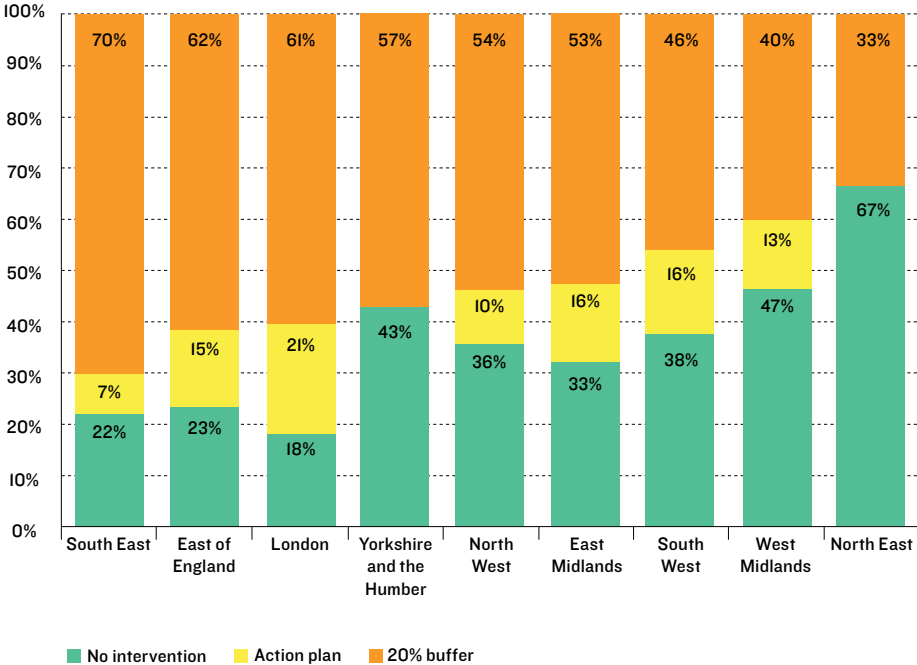
At this regional level, a pattern becomes apparent. Southern regions – which tend to have higher house prices and levels of need– tend to have a higher proportion of local authorities requiring a land buffer while northern regions and the Midlands appear to have a lower proportion of areas justifying this buffer.



**There needed to be some sort of independent test of a local authority on an annual basis.**

Secretary of State for Communities and Local Government, Sajid Javid MP (CLG Committee; 19/04/2017)

Figure 3 : Estimate of the housing delivery test results by region (2017)



Source : ONS, DCLG, Lichfields

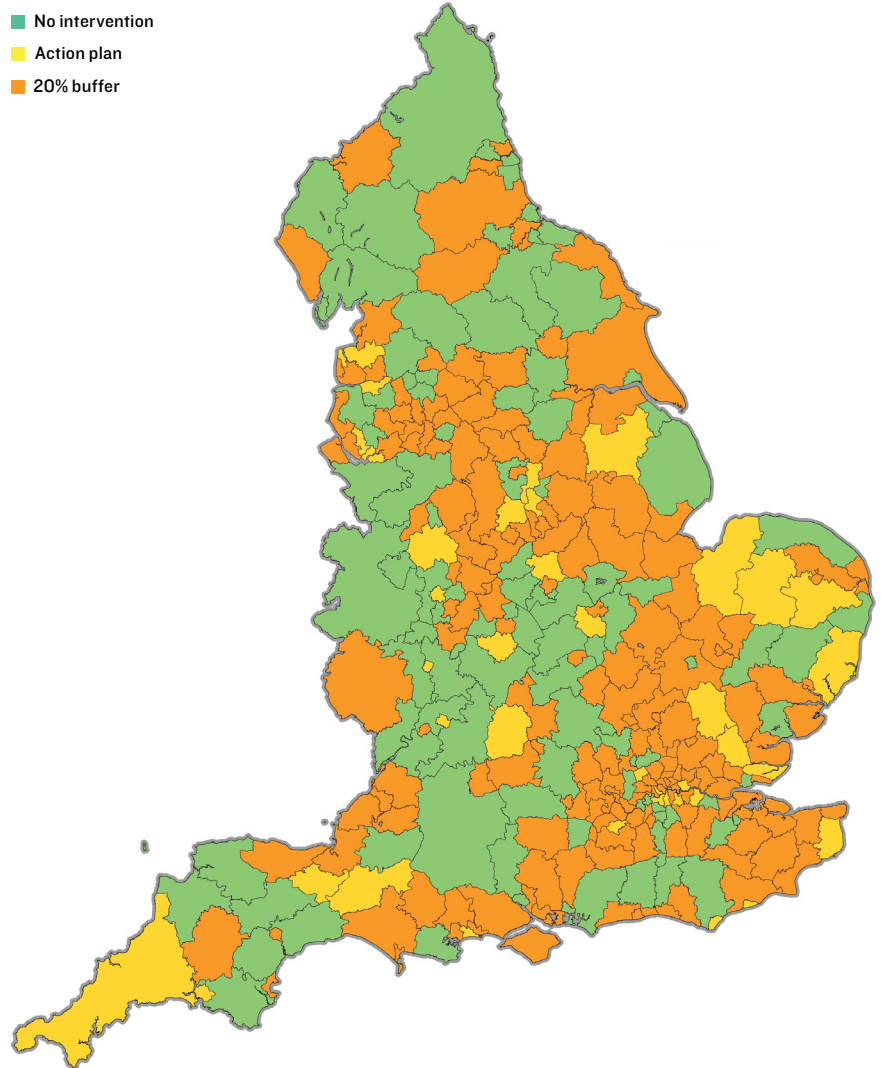
FALP targets were used as housing requirements within London Boroughs. The FALP targets only applied from 2015; before this date, housing requirement was lower. Where housing requirement was lower, delivery may have also been lower which impacts on the three-year average methodology set out in the Housing White Paper. It is important to note that this may also be the case for recently adopted local plans. However, the Housing White Paper is not clear about the proposed methodology in such a scenario.

Exploring the housing delivery test results at a local level generates some interesting patterns (Figure 4). While there is no comprehensive spatial correlation, **those places that would require a 20% land buffer tend to be more urban.** Indeed, 61% of places that require a 20% land buffer and 64% of places that would require an action plan are classified as urban.

However, **a key factor – as ever with housing and planning – will be areas with Green Belt.** Of all the local authorities in the country that are constrained by Green Belt (138), 65% would require a 20% land buffer compared to 49% for authorities that are not constrained.

**This analysis highlights two key trends that are inextricably related.** First, that the mismatch between supply and demand for homes is most acutely felt within urban areas; and secondly, councils that are constrained by Green Belt – which surround these urban areas – face an equally acute planning problem, in part shaped by the slower progress those areas are making in getting up-to-date plans in place.

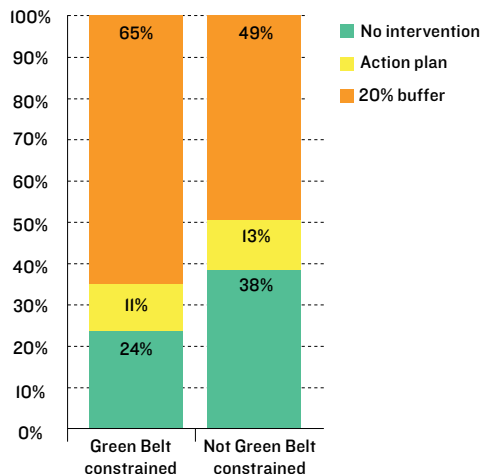
Figure 4 : Estimate of housing delivery test results for 2017



Source : DCLG, Lichfields

'Green Belt constrained' is defined as those areas that have more than 40% of non-urban land in their area designated as Green Belt

Figure 5 : Housing delivery test results by areas constrained by Green Belt (>40% of non-urban land)



Source : ONS, DCLG, Lichfields

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