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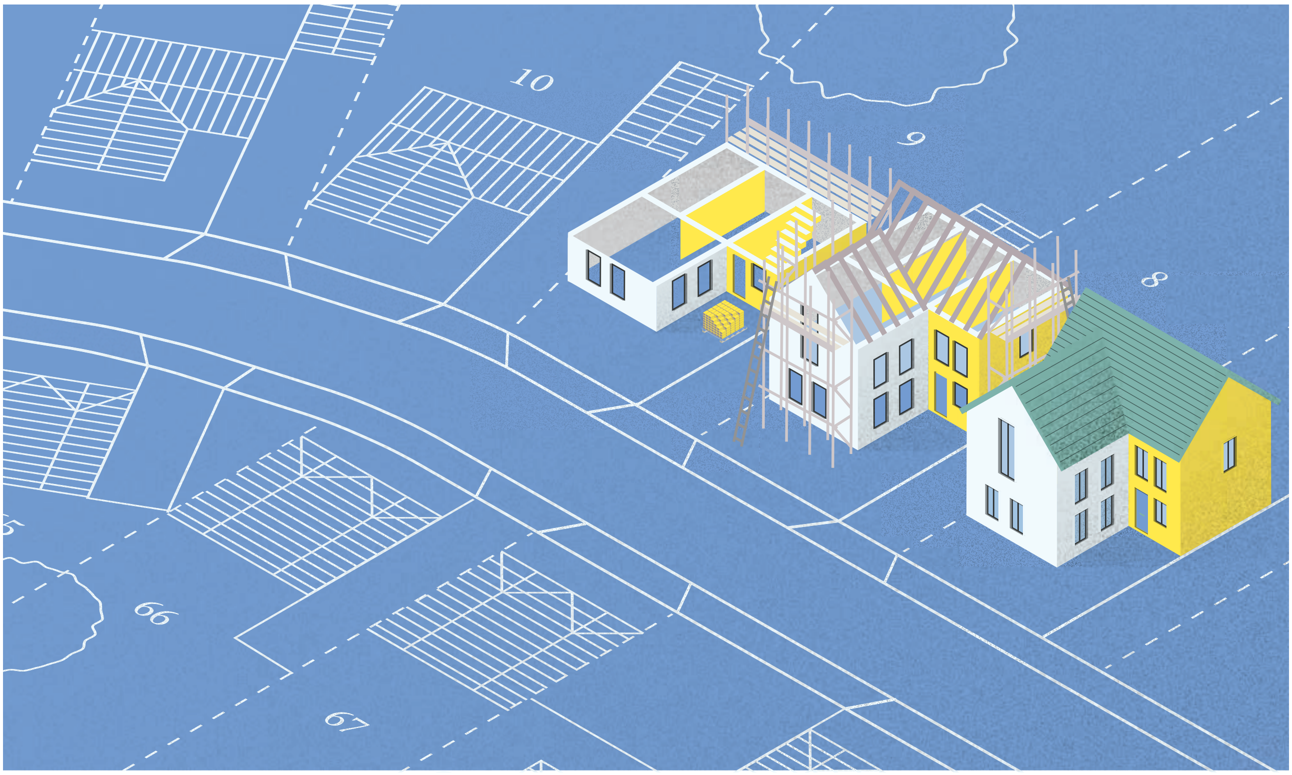
Spotlight | 2017

Planning to solve the housing crisis



Summary Planning must play a larger role in supporting economic growth. We need the planning system to deliver more consents where need is greatest to improve affordability and solve the housing crisis

- **There is a shortfall of more than 90,000 consents a year in areas where demand is highest.** Although the NPPF has helped to boost overall consent numbers, it has not achieved its stated goal of responding to market signals and planning for homes in areas where affordability is most stretched. See p8-10.

- **It's been five years since the publication of the NPPF, and plan making remains slow.** Only 41% of local authorities in England have adopted an up-to-date plan, up from 25% two years ago. Many adopted plans are failing to set targets that meet housing need. Adopted planning targets in England are 88% of objectively assessed need for housing. See p2-4.

- **Assessing need based on market strength would start to address housing affordability, but could lead to big increases in housing-need numbers in and around London.** Some districts will have to find additional housing land from as soon as 2018 if these figures are used in the Housing Delivery Test identified in the Housing White Paper. See p6-7.

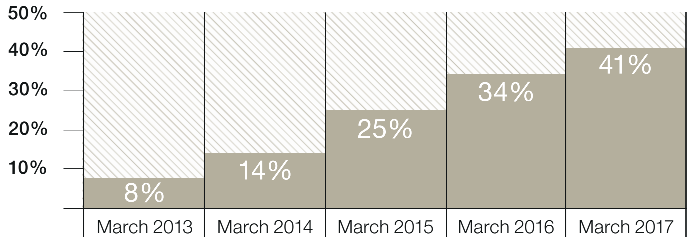
- **Our positive planning index has identified the top 10 local authorities which need to identify more land for housing, based on local plan status, five year land supply, Housing Delivery Test and housing affordability.** These authorities have strong links to London, but their ability to build homes is often constrained by the Green Belt. See p5.

- **61 local authorities have lost at appeal due to not having a five year land supply in the year to April 2017.** A further 61 authorities have a published housing land supply of less than five years. Across England, local authorities have on average 5.3 years' land supply, down from 5.4 years last year. See p2-4.

Plan-making in numbers

This is the fifth annual Savills planning report and, yet again, it is produced during a time of political uncertainty, this time due to a snap UK election. Housing has now moved up the political agenda, although there have been no calls to tear up the current plan-led system: but is it working as intended? The 2017 Housing White Paper declared the housing market broken. We investigate the plan-making process and delivery of housing since the introduction of the NPPF, as well as look forward to see how the White Paper could make an impact, with a particular focus on how planning interacts with the housing market.

Plan-making progress continues to be slow. Just 41% of local authorities have a post-NPPF plan



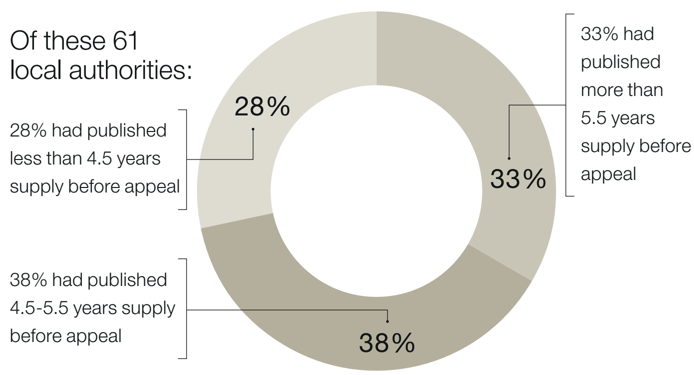
55%

of local authorities with a post-NPPF plan have targets lower than their objectively assessed need for housing

Adopted local plan targets in London are 77% of those set out in the London Plan

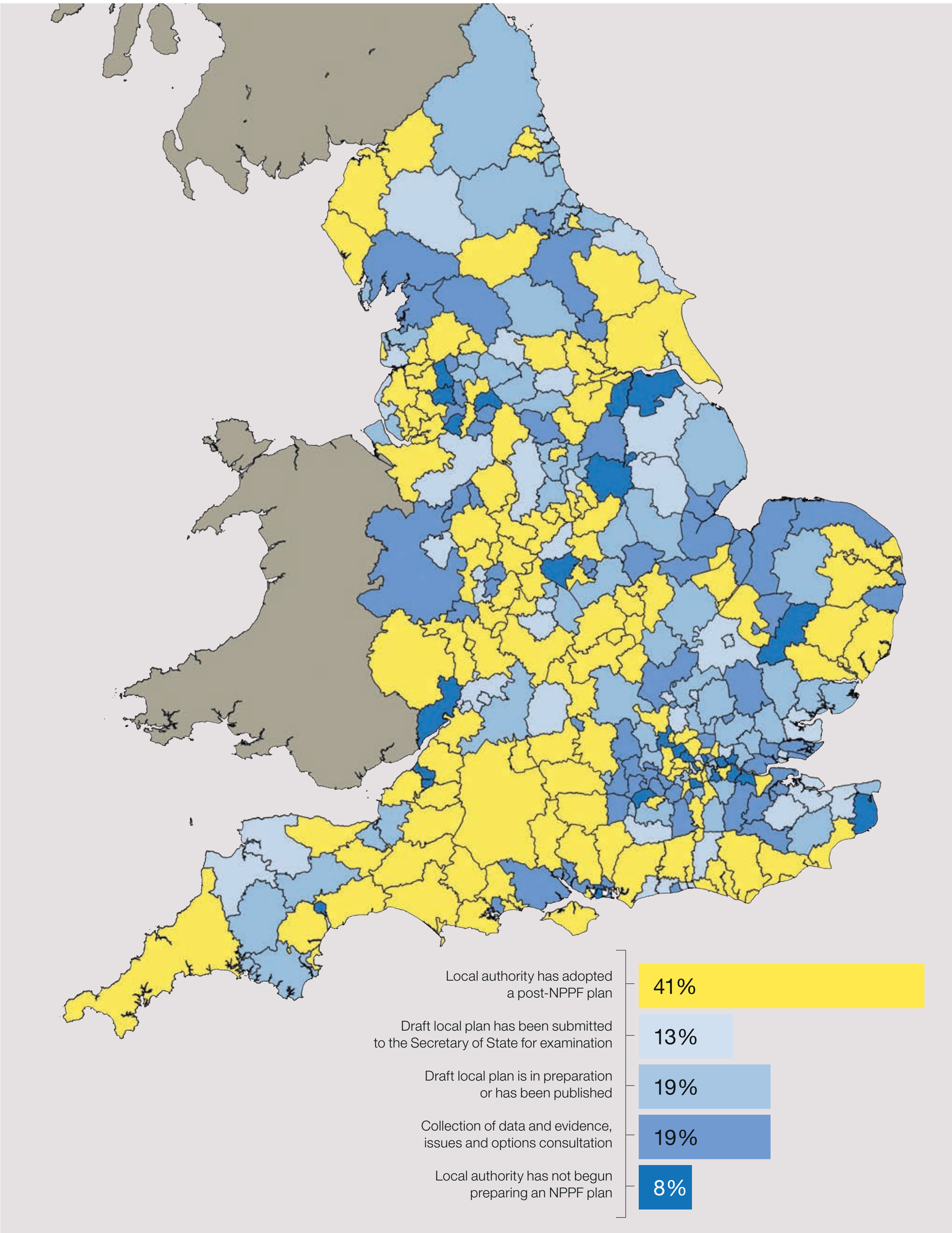
The average time taken between adoption of local plans is **more than 10 years**

61 local authorities in England have had a lack of five year land supply confirmed at appeal in the year to April 2017



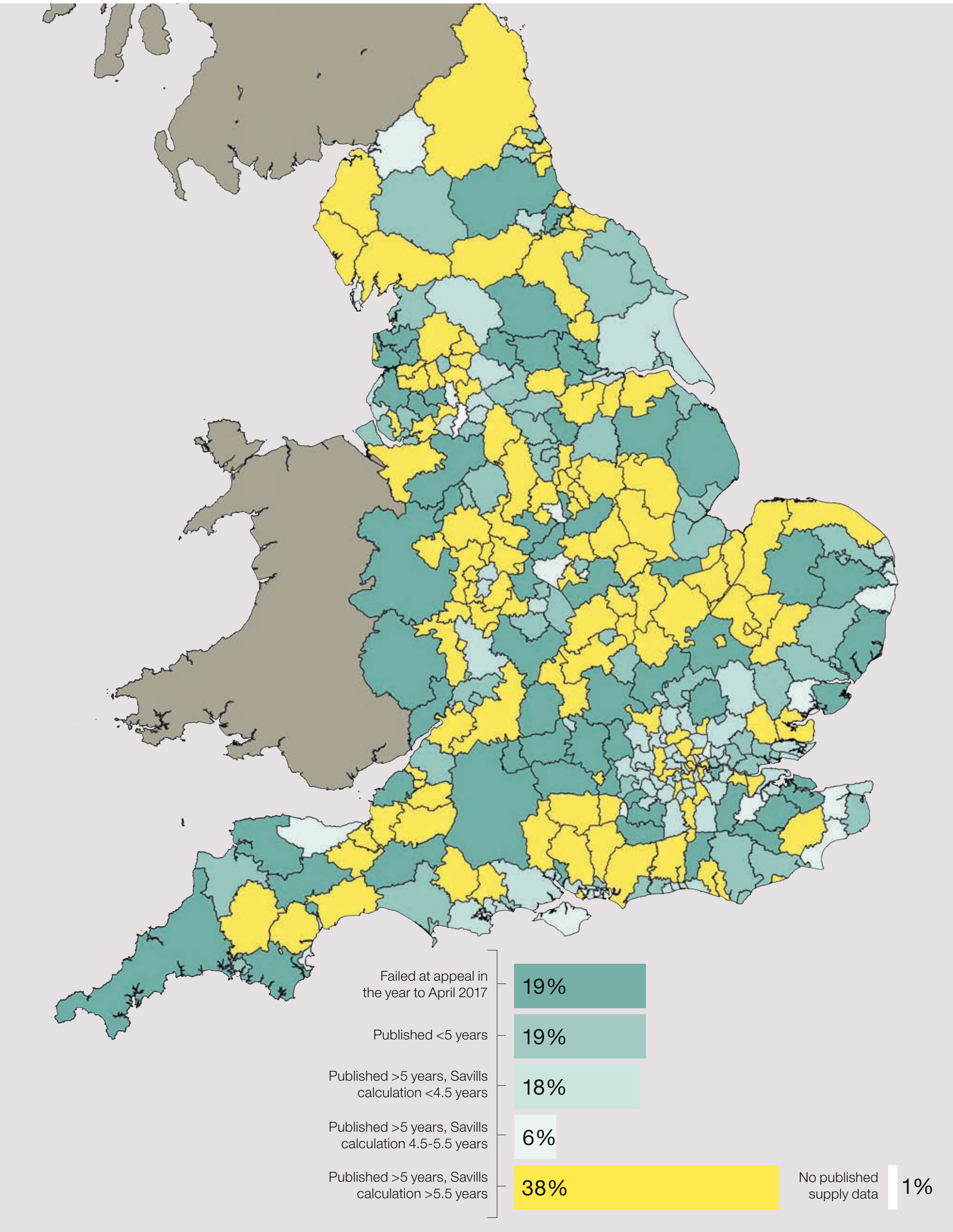
Across England, there is **5.3 years** of published land supply, down from **5.4 years** supply last year

Plan-making delivery The early 2017 deadline has passed and just 41% of local authorities in England have adopted a post-NPPF plan



Source Savills Research, April 2017

Five year land supply 61 local authorities have had a lack of five year land supply confirmed at appeal in the year to April 2017



Source Savills Research, April 2017 **Note** Please see page 11 for the methodology used to create the data above

Impact of Housing Delivery Test

London's commuter belt will be most affected by the proposed Housing White Paper reforms, based on our new index drawing together four key planning metrics

We have assessed each local authority on their post-NPPF local plan status, five year land supply, and how they perform on the Housing Delivery Test outlined in the Housing White Paper. We have weighted the results using housing affordability in each local authority as an indication of housing demand.

All of the 10 poorest-performing authorities cannot demonstrate a five year land supply, have a housing affordability ratio greater than the national average, and only one has a post-NPPF local plan in place. Equally, they are often constrained by the Green Belt, posing an additional challenge to site identification.

Addressing the housing need

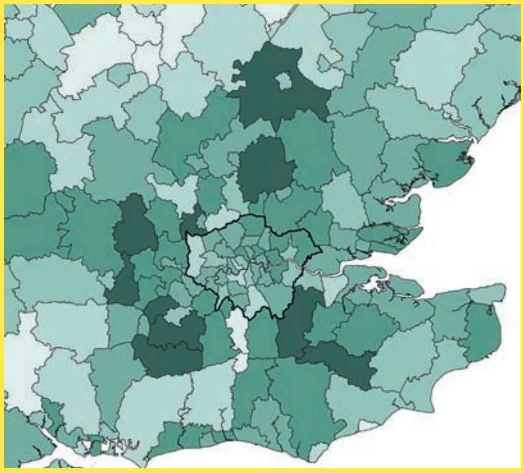
The most acute housing need is in London, and nine of the 10 poorest-performing local authorities are in the London commuter belt. Our index treats the London Plan as a post-NPPF plan, but without that, five London boroughs would be in the 10 poorest-performing local authorities.

There is great pressure to allocate land in these areas, but there is often strong local opposition to development. Local housing need and London overspill must be accommodated somewhere, and there are three main options for increasing supply.

- A comprehensive review of density policies, particularly in London, including big increases in the number of homes planned near transport hubs.
- Local authorities could release land through the Green Belt review process, including Green Belt 'swaps'.
- Local authorities could work in partnership – through the duty to cooperate – to allocate land to accommodate their housing need in less constrained markets. This approach would require a greater level of strategic planning, and investment in infrastructure to ensure new housing is connected to areas of unmet need.

In reality, a combination of all of these approaches would have the biggest impact.

Housing demand Using our index of four planning metrics (see table below), we can identify the key areas where more land will be needed for new homes



Key: High score · Low score · 10 lowest

Measure	Low score	High score
Post-NPPF local (or strategic) plan status	Not started	Adopted
Savills land supply category	Lost at appeal	More than 5.5 years
Lower quartile house price to earnings ratio	High	Low
Housing White Paper Delivery Test	Presumption	Test passed

Source Savills Research, DCLG

Housing delivery test How councils will be held to account by the Housing White Paper

Date from	% delivered of annual housing requirement	Sanction
Nov 2017	Less than 95%	Publish action plan
Nov 2017	Less than 85%	Plan for 20% buffer
Nov 2018	Less than 25%	Presumption in favour of sustainable development applies automatically
Nov 2019	Less than 45%	
Nov 2020	Less than 65%	

Source Housing White Paper, DCLG, 2017

London under pressure

Allocating need based on market strength has significant implications for London and its commuter belt

London's assessed housing need could double to more than 100,000 per year under a new system for working out housing requirements. Supply at this level is required to improve affordability. More emphasis on 'homes in the right places', a key plank from the Housing White Paper, could mean big increases in housing requirements in London and its commuter belt, well above existing targets and levels of delivery in many locations.

A new approach

The Housing White Paper promises a new standardised approach to calculating housing need. It must add up to a high-enough figure to meet existing need, make up the backlog, and make a meaningful improvement to affordability. This should be at least 300,000 homes per year, in line with a growing academic and expert consensus. The White Paper suggests a more modest 225,000-275,000, but this only covers population growth and it will have no impact on housing affordability.

We await the promised consultation on the new method with great interest. In the meantime, we have proposed a simple approach that applies an increase to each district's projected household growth based on local housing affordability (see the table below). The uplifts were chosen so that the national figure adds up to 300,000 homes per year.

Local planning authorities should propose higher numbers than those derived from this approach where they are needed to support ambitious economic growth plans.

The waiting game

Our results (see the map on the right) show that the largest potential impacts from our approach are concentrated in and around London. The darker shaded districts could see the largest housing need increases, with those in blue being of more immediate interest as they don't have an up-to-date adopted plan.

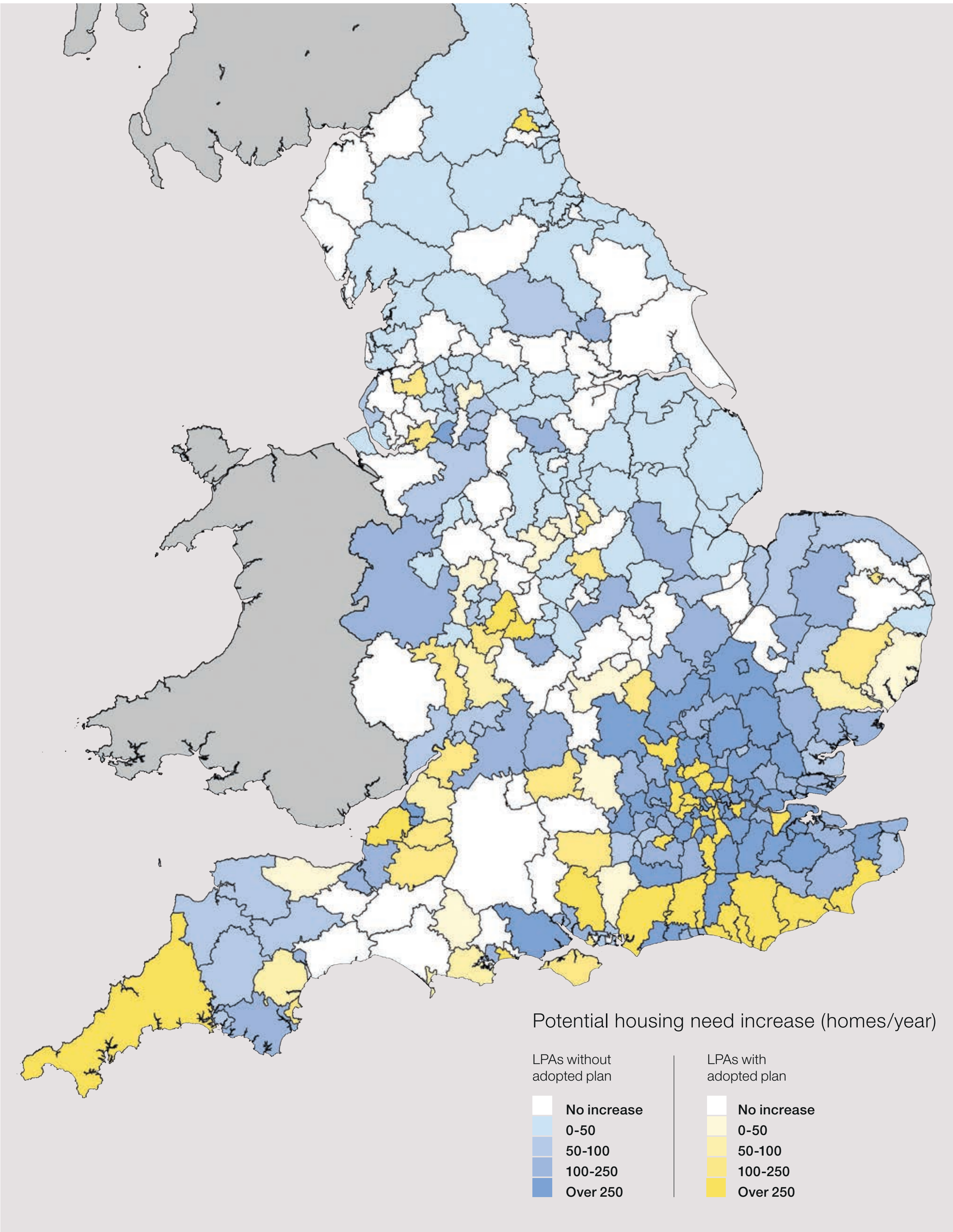
The yellow areas have adopted plans but the introduction of statutory five-year reviews means that, over time, the standardised approach will increase need in these locations too, offering longer-term opportunities to bring forward more land.

Assessing housing targets Our simple approach to calculating housing need applies an increase to each district's projected household growth based on local housing affordability

Lower quartile house price to earnings ratio	Lower quartile rent affordability ratio	Uplift band (%)	Number of local authorities
Under 6.0	Under 30%	0%	56
6.0 to 7.5	30% to 35%	10%	62
7.5 to 9.0	35% to 40%	20%	63
9.0 to 10.5	40% to 45%	30%	47
10.5 to 12.0	45% to 50%	40%	40
12.0 to 13.5	50% to 55%	60%	21
13.5 to 15.0	55% to 60%	80%	13
15.0 and over	Over 60%	100%	23

Source Savills Research, DCLG, VOA and Land Registry

Annual housing need increase The darker shaded districts could see the largest housing need increases, with those in blue not having an up-to-date adopted plan



Source Savills Research, DCLG, VOA and Land Registry

Making planning work with the market

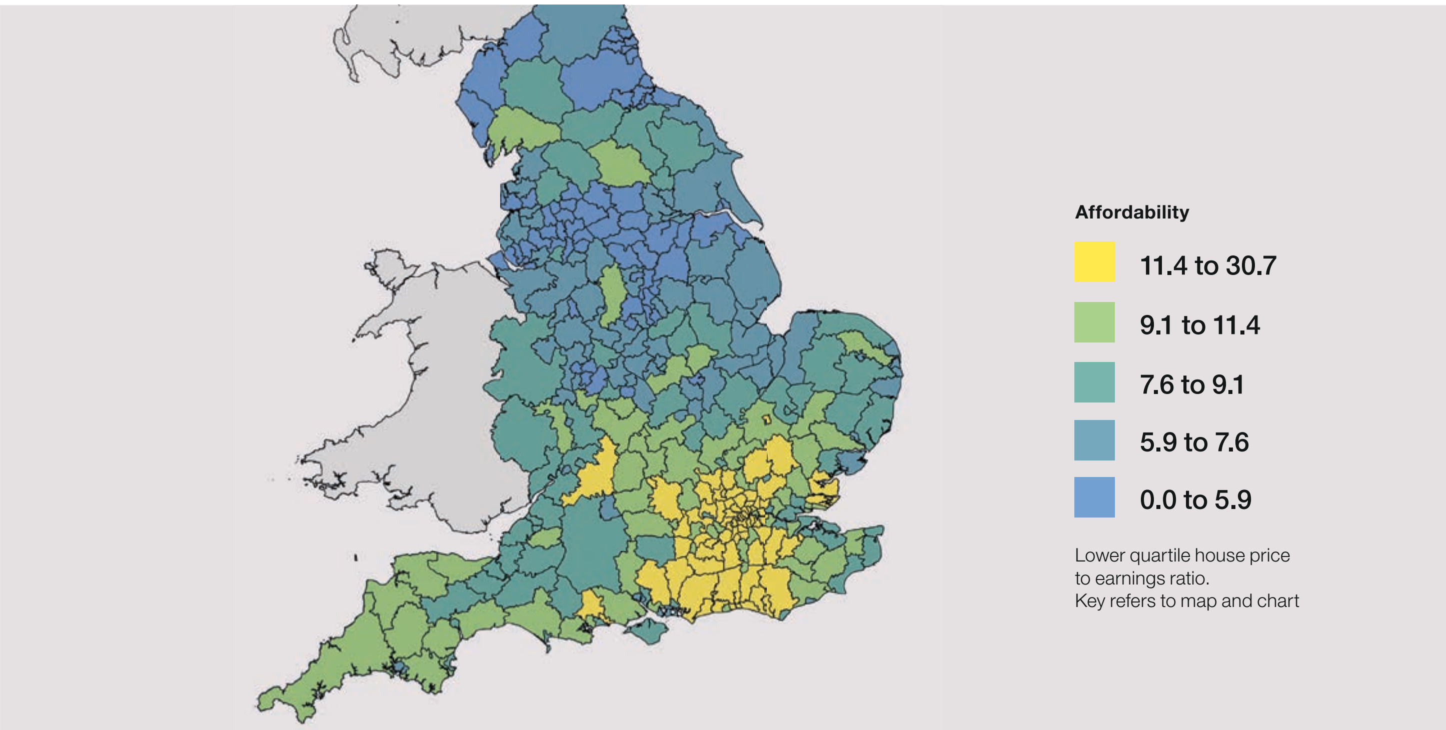
The planning system could do much more to support economic growth. There is a shortfall of more than 90,000 consents where housing need is highest. Future policy must ensure consents are granted where they are most needed

The number of full residential consents reached 293,000 in 2016. This was a 56% increase in annual consents in the four years since the NPPF was introduced. But only 210,000 new homes were completed.

It is widely accepted that to achieve an improvement in affordability, 300,000 new homes are needed in England every year. A core goal of the NPPF was to ensure the planning system delivers sufficient land of the right type in the right places to support growth. It specifies that local plans should take account of market signals and plan to build enough new homes each year to improve housing affordability.

Our analysis of planning consents and housebuilding shows that this goal has not been met. The total number of consents has increased. But there has not been any greater increase in the areas where affordability is most stretched. The distribution of housing delivery and planning consents between areas of different levels of affordability has not changed. This means we are not building enough homes in areas where they are most needed to improve

Market signals To improve affordability, new homes should be delivered where it is most stretched. Our analysis (right) shows that more needs to be done



affordability and support economic productivity. The shortfall in consents is more than 90,000 units per year in places where affordability is worse than the national average.

Consents where demand is highest

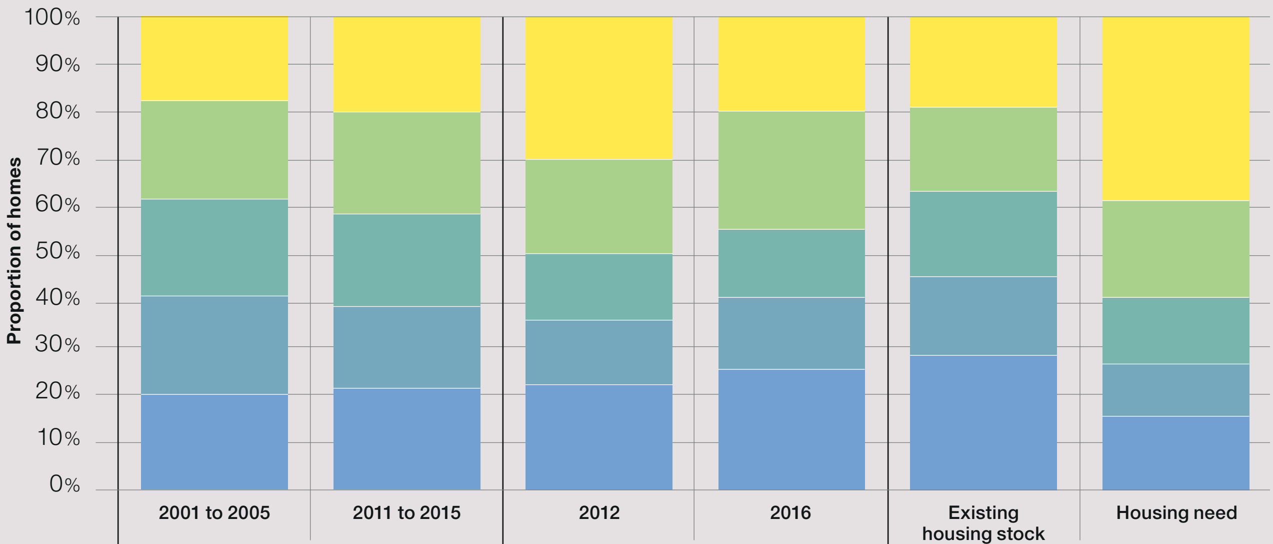
Housing delivery has increased alongside growing market strength since the global financial crisis in 2008. But the growing gap between consents granted and new homes started suggests that if we are to continue to rely on the market to boost delivery, we must ensure that consents are delivered in the areas where need is highest and market demand is strong enough to absorb more new homes.

For housing delivery to reach 300,000 homes per year, we need to make full use of the untapped market capacity in higher-demand areas.

Increasing delivery through build-to-rent, custom-build and accelerated-construction schemes will also work best in these areas. Housing Associations need to make the most of market demand to drive the success of their market-sale programmes and generate subsidy for affordable housing.

With housing policy ever more reliant on the market to deliver, it has never been more important that the right numbers of planning consents are granted in the right places.

> We are not building enough homes in areas where they are most needed to improve affordability and support economic productivity



Additional homes built
The balance of delivery between higher and lower demand markets has changed very little since the early 2000s.

Planning consents
The number of homes gaining consent has increased since the NPPF, but their distribution has become more weighted to lower-demand markets.

Where new homes are gaining consent and being built more closely matches where existing homes are located rather than where more homes are most needed.

Source Savills Research, DCLG, Glenigan

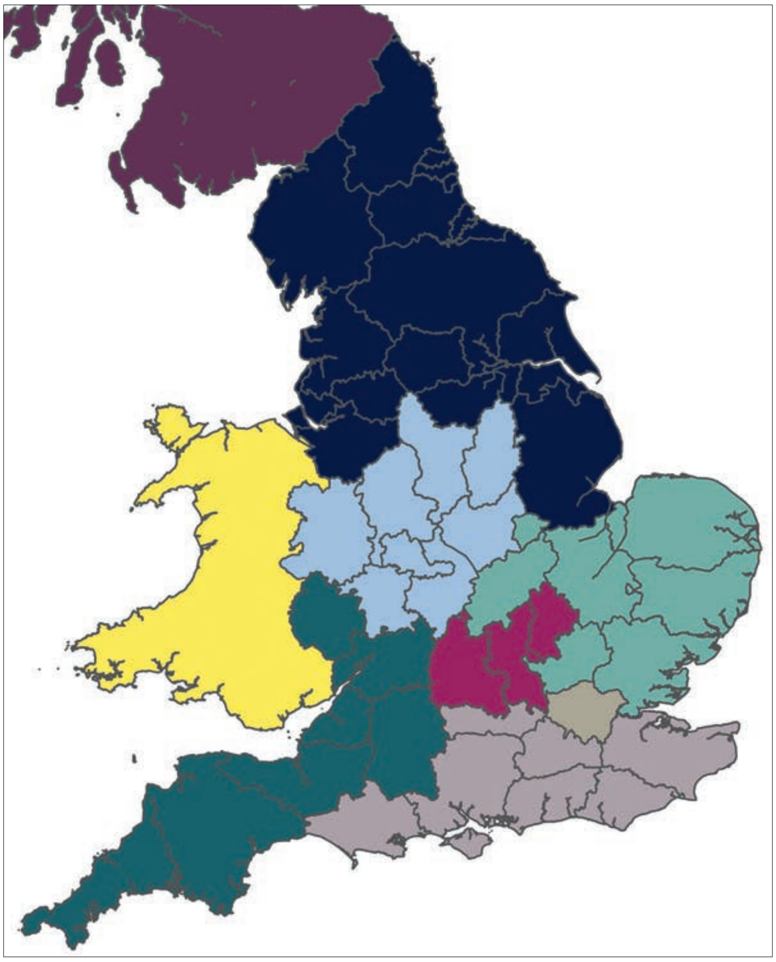
Housing mismatch Locations where housing consents have been granted are not aligned with where affordability is most stretched and, consequently, where need is highest. This table shows how consents should be distributed to align with need

Affordability band Lower quartile house price to earnings ratio	Most affordable **0.0 to 5.9**	**5.9 to 7.6**	**7.6 to 9.1**	**9.1 to 11.4**	Least affordable **11.4 to 30.7**	**TOTAL**
Homes gaining planning consent, 2016	76,000	45,000	44,000	68,000	60,000	**293,000**
Housing need, standardised approach	47,000	33,000	45,000	65,000	110,000	**300,000**
As a result, there is an excess of consents in areas of lowest need, even allowing for a 20% buffer for any consents that lapse. In the least affordable areas there is a shortfall of almost 100,000 consents.						
Including 20% buffer for consents lapsing	56,000	40,000	54,000	78,000	132,000	**360,000**
Shortfall: consents vs need + buffer			10,000	10,000	72,000	**92,000**
Assuming 30% of housing delivery is affordable, this leaves the following shortfall to be delivered by market housing:						
Market housing requirement			7,000	7,000	50,000	**64,000**
The average annual build-out rate on small outlets (up to 50 units) and large outlets (over 150 units) is as shown across these markets. Build-out rates of large sites are higher in stronger markets						
Large outlet annual build-out rate			45	60	70	
Small outlet annual build-out rate			16	17	17	
To deliver enough homes to meet the shortfall, the following numbers of sites would be required						
> 150-unit outlets required			156	117	714	
30-unit outlets required			438	412	2,941	
Assuming that outlets build out over three years, this means that each local authority in these bands needs to grant consent to the following number of outlets in addition to the existing level of housing consents:						
Additional >150-unit outlets required per local authority per year			0.8	0.6	3.7	
Additional 30-unit outlets required per local authority per year			2.2	2.1	15.1	

These numbers are indicative and, in practice, the most effective way of meeting the shortfall is to grant consent to a variety of site types that can be built out by a range of developers.

Source Savills Research, Glenigan, Hometrack, DCLG

Strategic land planning contacts From site identification through to planning and product delivery, Savills offers a bespoke service across the UK



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Methodology of page 4
We have applied a simple five year land supply calculation to all local authorities in England using the LPA published supply figures. No adjustment has been made to the supply, and the methodology does not impose any different treatment of the basic requirement other than it being annualised (spread over the relevant plan period). The maps indicate categories based on the result, which allows a like-for-like comparison between authorities and echoes the arguments being used in appeals based on five year land supply across the country. Our calculation works as follows: 1) Current five-year requirement (taking the first available data source from the following list): a) Post-NPPF local plan target (where local plan adopted post March 2012; b) SHMA figure (midpoint if a range) (where published after March 2012). 2) Apply buffer (5% or 20% depending on authority statement) to requirement, we have assumed 20% where unclear or not stated. 3) Then calculate five year supply based on these figures (based on LPA quoted land availability – from SHLAA and/or AMR). We are not questioning deliverability of the stated land supply in this exercise.

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