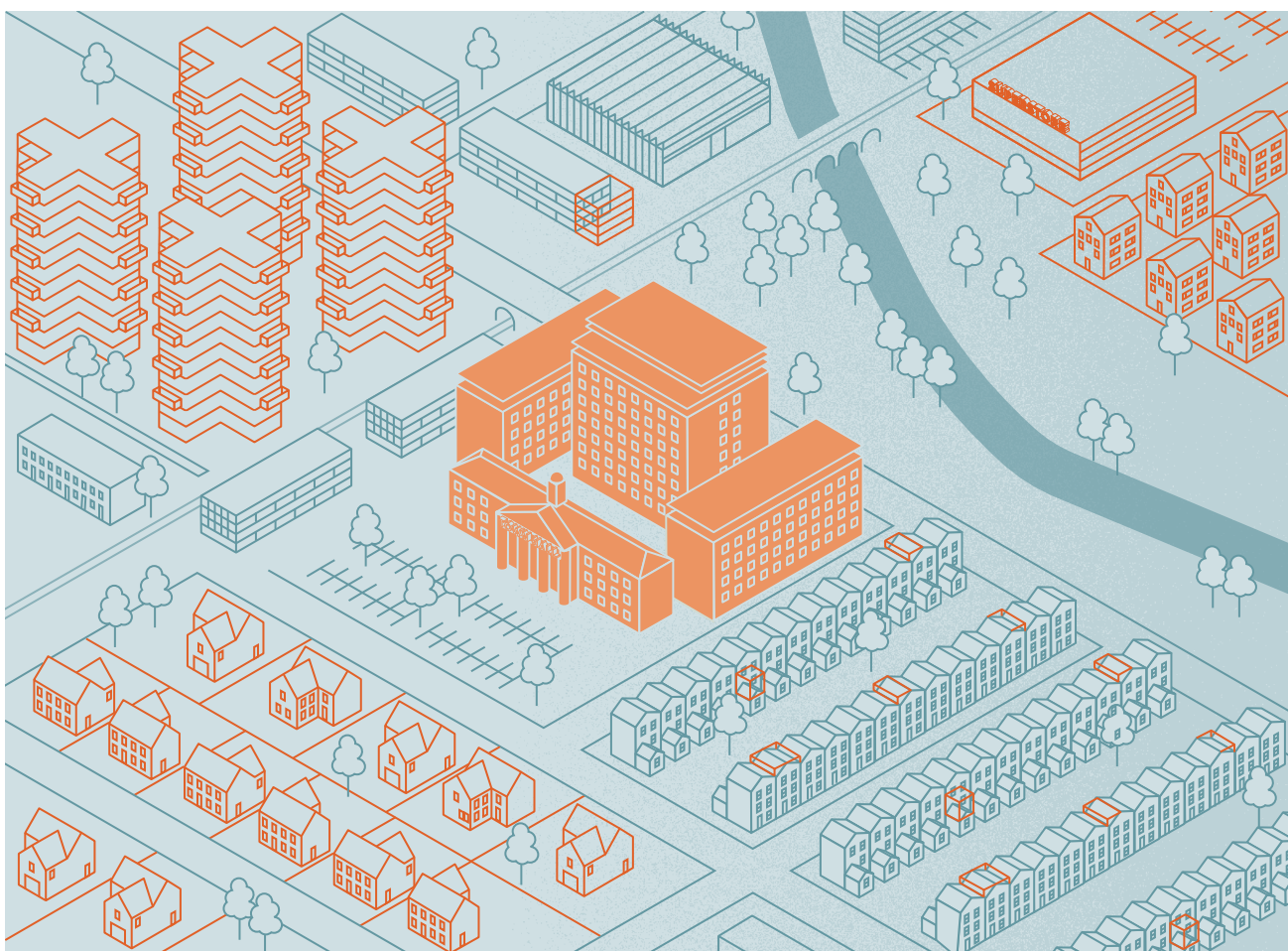


Spotlight | 2018

Planning: new measures to increase delivery



Summary The proposed revisions to the National Planning Policy Framework pose significant challenges for local authorities, but are unlikely to result in a step-change in housing delivery

■ The new standard methodology for calculating housing need means the planning system will have a greater focus on granting consents in areas of highest need. However, it misses the Government's national target of 300,000 new homes per year by 11%.

■ To hit the Government's target, planning policy needs to be better supported by other government policy. Only 15% of the homes enabled by the Housing Infrastructure Fund are in the highest-demand areas.

■ The new Housing Delivery Test is a positive step in making local authorities more accountable for meeting the targets set in plans. We estimate that by 2019, 21 local authorities will face the presumption in favour of sustainable development.

■ Some 51% of local authorities have adopted an up-to-date local plan. The threat of government intervention appears to have had a noticeable effect, with 65 local authorities publishing or submitting a plan for examination during the past year.

■ In the year to April 2018, 61 local authorities lost at appeal due to not having a five year land supply. Across England, local authorities have, on average, 5.8 years of land supply, up from 5.3 years in 2017.

A critical moment for planning policy

The sixth annual Savills planning report comes at a crucial juncture, as the first revisions are made to the National Planning Policy Framework since its inception



In March, the Government published for consultation its draft revisions to the National Planning Policy Framework (NPPF). This announcement is the biggest shake-up of planning policy since the introduction of the NPPF in 2012.

In the six years since the implementation of the original NPPF, housing has become an increasingly important political topic, with the affordability, availability and quality of homes all key topics for debate. Despite consistently slow plan making, the number of new homes granted consent since the introduction of the NPPF has doubled to reach 350,000 in 2017/18.

The increase in permissions is yet to feed through to a similar increase in the level of housebuilding. A key aim of the revisions to the NPPF is to speed up housebuilding where homes are most needed. This is required to meet the Government's national target of 300,000 new homes per year announced in the Autumn 2017 Budget.

The NPPF revisions show a real consistency of approach from the Government, with most of the new measures set out a year earlier in the Housing White Paper. The revisions aim to ensure that residential consents

are delivered where they are most needed. Additionally, there are more attempts to ensure consents are built out, both through the Housing Delivery Test, and the proposal to address viability earlier in the plan-making stage.

So, the draft revisions to the NPPF are steps in the right direction for planning policy. But planning policy alone cannot fix our broken housing market and more clarity on all aspects of the draft changes is needed. Does planning policy align with the wider economic strategy? Is government investment in infrastructure going to unlock sites in the areas with the greatest housing need?

In this document, we assess how far the proposed revisions to the NPPF are likely to result in increased housing delivery and show where policy needs to develop further if it is to really solve the housing crisis.



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Will revisions speed up delivery of new homes?

Revisions to the NPPF should produce a system that better responds to market signals, but changes to the plan-making process could have implications for delivery

The ultimate test of the revisions to the NPPF will be whether they lead to higher levels of housebuilding to reach the Government's target of 300,000 new homes a year.

To increase delivery, the planning system needs a greater focus on delivering consents in areas of highest demand, to make full use of untapped market capacity.

That was the lesson from our 2017 report, *Planning to Solve the Housing Crisis*, in which we demonstrated that these areas accounted for almost 40% of housing need, but only 20% of residential consents in 2016.

The revisions to the NPPF go some way towards meeting this goal. The new standard methodology of calculating housing need allocates almost 40% of housing need to the areas in the highest quintile of affordability (see the chart below). This should lead to an increase in allocated

sites and, accordingly, planning consents in the areas of greatest need. However, the impact will be tempered over the first five years of its application as the uplift from existing targets is capped. The question then becomes whether an increase in consents in high-demand areas will lead to an increase in housebuilding.

The Housing Delivery Test is a positive step in making local authorities more accountable for meeting the targets set in local plans. However, the effectiveness of the Test will be muted, particularly in the early years, due to its phased implementation. Our assessment of the impact on individual local authorities in 2018 and 2019 is on pages 8 and 9.

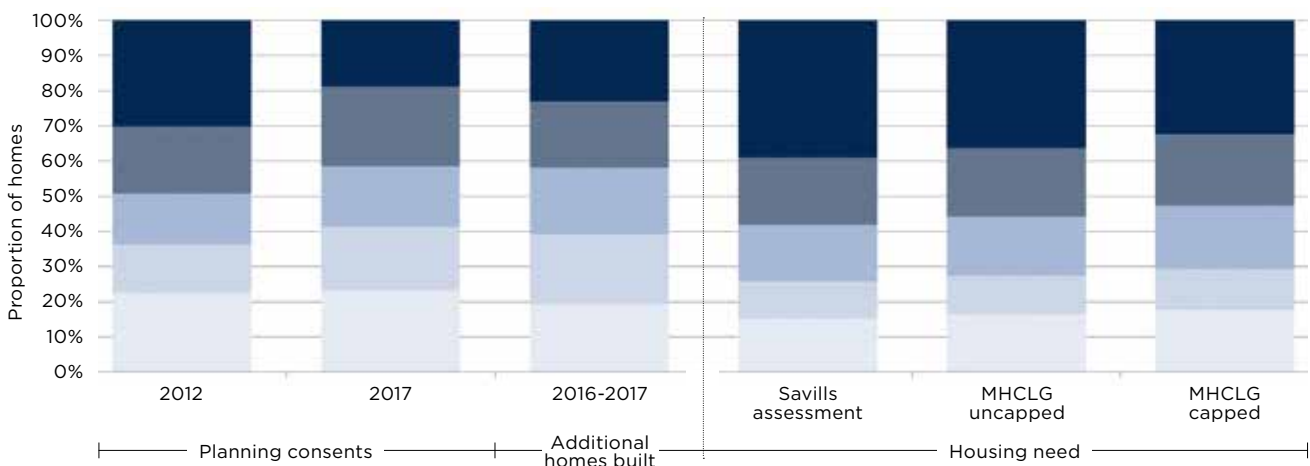
At a national level, it is unlikely that the Test will drive the delivery of 300,000 homes per year. The presumption in favour of sustainable development

At a national level, it is unlikely that the Test will drive the delivery of 300,000 homes per year

will only apply when local authorities fail to deliver more than 75% of their housing target in 2021. As the standard methodology currently totals 266,000 homes nationally, this could simply result in the present level of around 200,000 homes delivered each year being maintained. There needs to be additional measures such as local Growth Deals in order for housebuilding to reach 300,000 homes a year. >

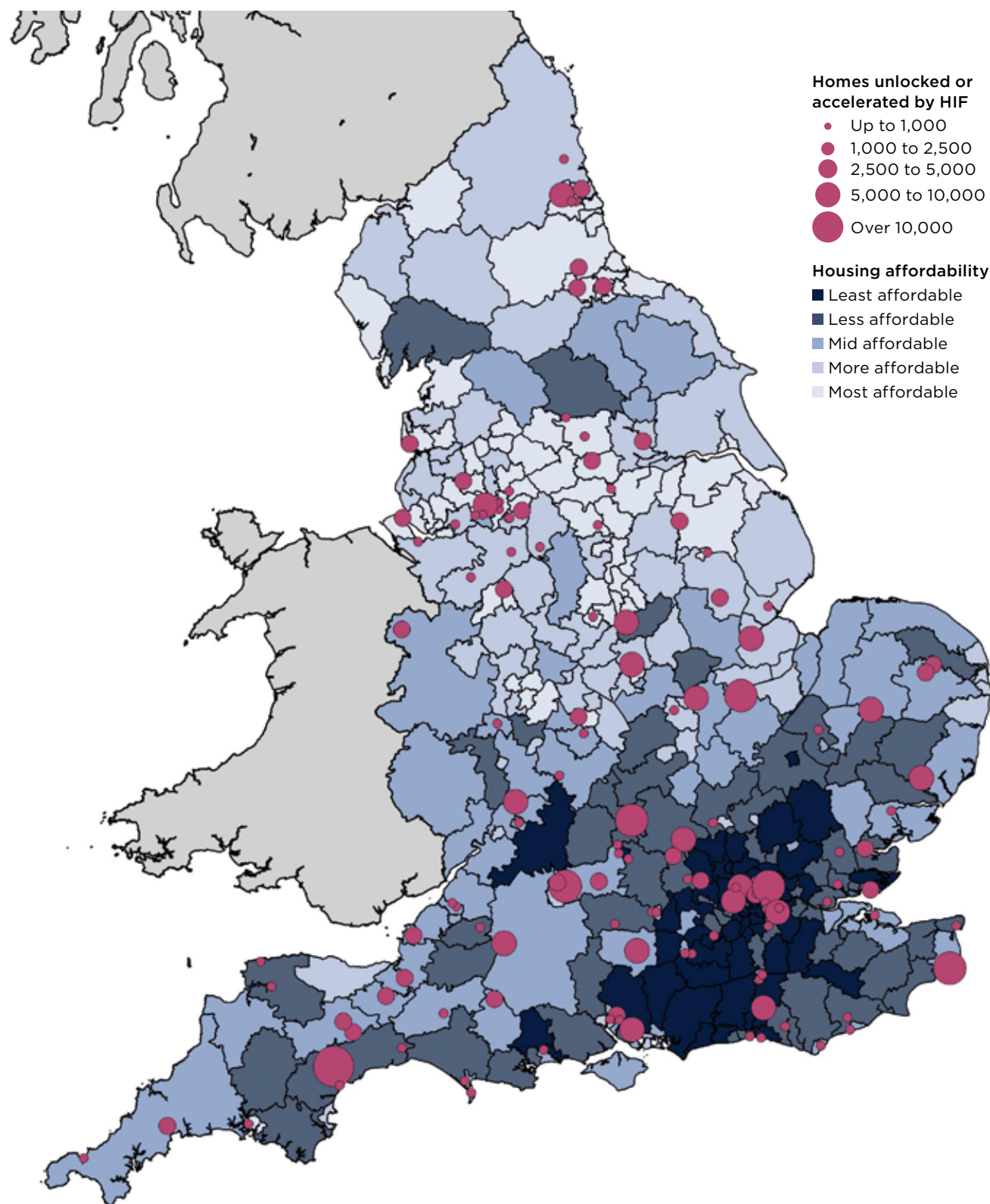
Redressing the balance Revisions should result in more consents for housing in the least affordable areas

■ Least affordable ■ Less affordable ■ Mid affordable ■ More affordable ■ Most affordable



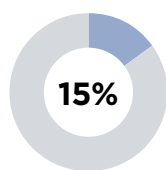
Source Savills using ONS, MHCLG, Glenigan Note See Policy response: Planning for the right homes in the right places

Housing Infrastructure Fund Distribution of funding is not targeted at the areas of highest housing need

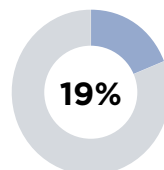


Source MHCLG

A core aim of the Housing Infrastructure Fund is to ‘make more land available for housing in high-demand areas’



of homes that have been accelerated or unlocked by the Housing Infrastructure Fund are in areas of greatest housing need



The share of the Housing Infrastructure Fund that has been distributed to areas with the greatest housing need

Need for joined up strategies

Planning policy is a key part of delivering more housing, but it doesn't exist in a vacuum. The local economy should also be a key consideration. The Government's Industrial Strategy, published in November 2017, national and local infrastructure investment and the local growth funding schemes, announced in the Autumn 2017 Budget, all have the potential to expand market capacity by driving job growth or connecting new areas to existing employment centres.

But in the revised NPPF, the new standard methodology is based solely on household

projections and housing affordability. The NPPF states that 'significant weight should be placed on the need to support economic growth and productivity', but no specific guidance is provided to how this should be achieved. The draft NPPG states that local authorities 'may' choose to apply an uplift based on local industrial strategies or planned economic growth. There is no explicit requirement to assess at examination whether the housing target has sufficiently accounted for infrastructure investment or future employment growth. There is a continued risk, therefore, of local authorities adopting housing targets that do not keep pace with planned economic growth.

Of key importance is paragraph 36 of the revised NPPF, which sets out the requirements for testing at examination whether a plan is 'sound' or not. The wording is such that local plans could be found 'sound' where a local authority adopts a housing target in line or above the standard methodology figure, whether it supports the local economic strategy and responds to new infrastructure investment or not.

Missed opportunities

The NPPF revisions do identify the link between new infrastructure and housing, for example in relation to the recommendations of the National Infrastructure Commission and the requirement for strategic policies to take account of major new infrastructure when looking forward.

Exactly how this is achieved has yet to be determined, although precedents are beginning to emerge. The Oxford-Cambridge Corridor is the notable example, where the Government ambition is to deliver 1 million new homes by 2050. This target is 250,000 homes above the target that would be derived from the application of the standard methodology over the same period.

By seeking to simplify the calculation of housing need, the Government is at risk of missing the opportunity to position housing delivery as fundamental to supporting economic growth and boosting

productivity, as well as properly accounting for the boost to housing markets derived from infrastructure investment.

Investing to support housing delivery

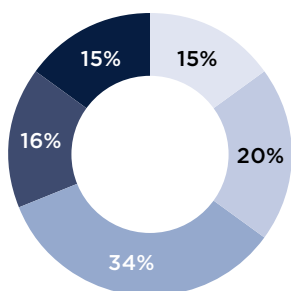
The Government is investing £5 billion to support housebuilding via the Housing Infrastructure Fund (HIF). The stated aim of the HIF is to enable the delivery of new homes in the areas of greatest demand, echoing the ambition of the NPPF to ensure that land for housing can come forward where it is most needed. But the distribution of the money does not align with the direction of the NPPF.

Only 40% of the funds distributed have been allocated to areas that account for 58% of all housing need

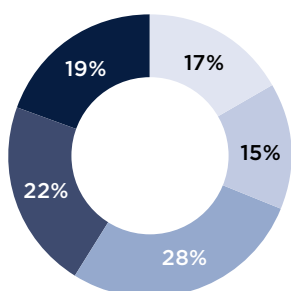
Our analysis shows that, to date, HIF money has been distributed evenly across the country rather than weighted towards the areas with the highest housing demand. Only 40% of the funds distributed have been allocated to areas that account for 58% of all housing need. The number of new homes that will be accelerated or enabled by this investment is heavily weighted to more affordable areas, while only 15% will be delivered in the areas of highest housing need.

Allocating funding to more affordable areas can serve a valuable function, such as facilitating urban regeneration or improving the quality of housing stock. However, it does not reflect the main aim of the Fund to unlock homes in the areas of greatest need. If funds continue to be allocated in this pattern, the Government will have missed a key tool that could be used to ensure that the greater number of consents that the NPPF aims to deliver in London and the wider South East actually feeds through to higher levels of housebuilding. ■

Distribution of homes unlocked by HIF



Distribution of HIF funding



■ Least affordable ■ Less affordable
■ Mid affordable ■ More affordable
■ Most affordable

Source MHCLG

Slowly, but surely

The majority of local authorities now have local plans, but some will require reviews soon

Following the introduction of the NPPF, Savills has monitored the progression of local plan preparation across the country. After six years, we can report that local plan coverage has passed the 50% mark for the first time. There are now 164 local authorities that have adopted an NPPF-compliant plan, up from 132 at the same point in 2017.

Plan making is continuing to pick up momentum, with 65 local authorities publishing or submitting a plan for examination over the past year, compared with 50 in the previous year. The threat of

Government intervention for those local authorities that are failing to produce a plan appears to have had an impact. York, which has not adopted a development plan since 1954, is among those local authorities to have recently published a draft local plan.

Not going to plan

A handful of local authorities still have not published an NPPF-compliant plan and remain stuck in the plan-making process. Castle Point, Thanet and Wirral could now have plan-writing responsibilities passed on to their respective city and county councils

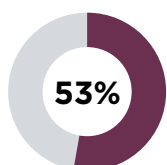
following persistent lack of plan delivery. A further six local authorities will be at risk of a similar fate if they fail to publish a plan by September this year.

The draft revisions to the NPPF require all local plans to undertake a full or partial review within five years of adoption. If applied now, 28 local authorities would be overdue for a review of their local plan, with a further 10 requiring a review over the next six months. Of the 17 London boroughs with a post-NPPF local plan, six were adopted before March 2013 and an immediate review will therefore be needed.

Local plan-making delivery Coverage is increasing, but adopted targets are falling short of housing need

91%

Housing targets in post-NPPF adopted plans represent 91% of the equivalent standard methodology figures, a shortfall of 10,539 homes per year



of adopted plans have targets below the standard methodology

65

local authorities published a draft plan this year. On average, plans are adopted two years after publication at Regulation 19 stage

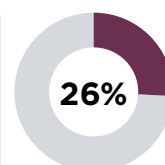
28

local authorities (9%) have a post-NPPF plan that is now due to be reviewed



140,000+

Local authorities yet to adopt a local plan have a combined housing need of 140,000-plus dwellings

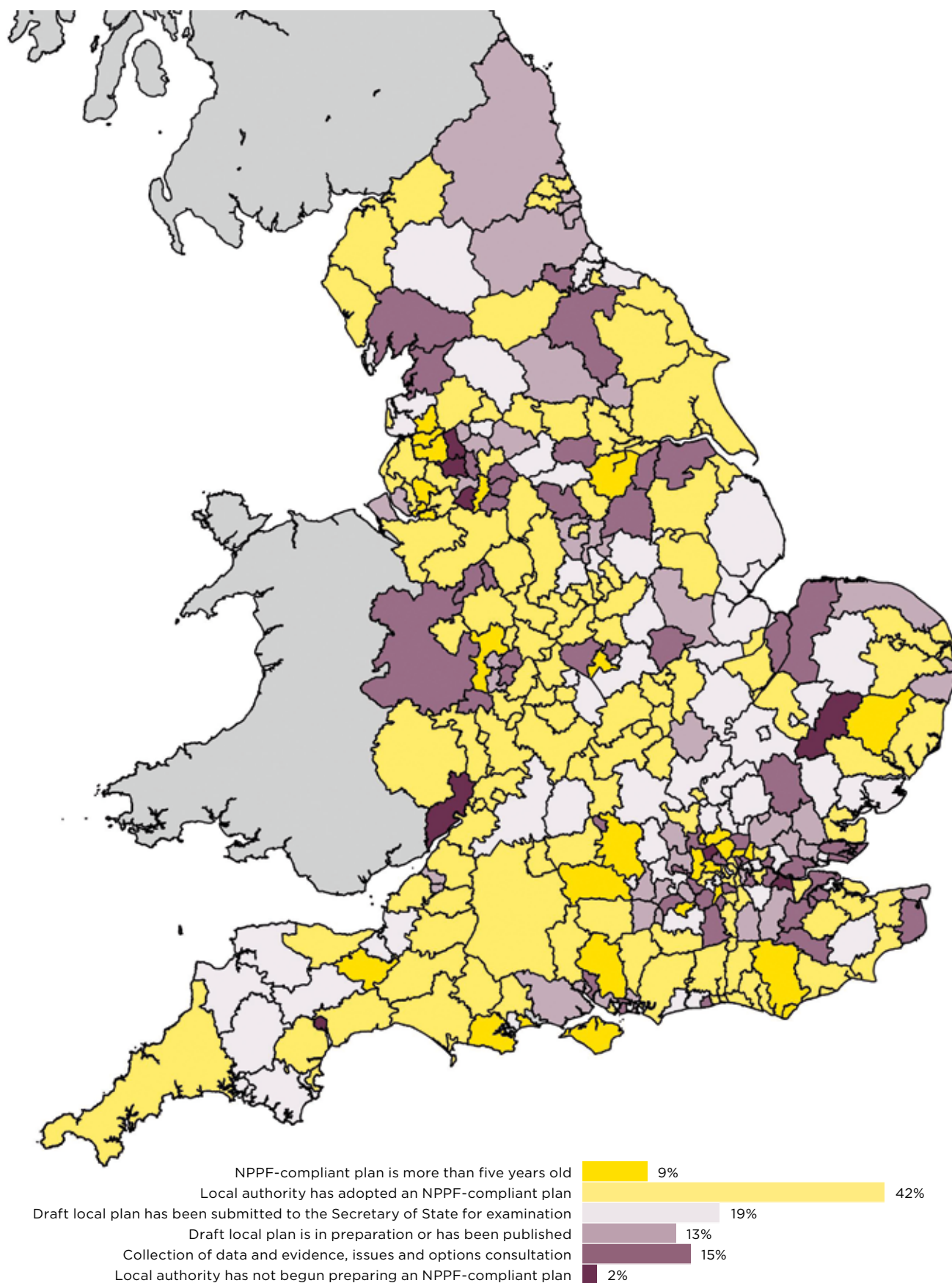


of local authorities with an up-to-date plan cannot demonstrate an adequate five year housing land supply

56% 44%

In London, adopted local plan targets meet only 56% of the housing requirement in the new London Plan

Plan progress Six years after its introduction, post-NPPF plan coverage has passed 50% for the first time



Source Savills Research (April 2018)

All bark, no bite?

Tougher sanctions will force local authorities to meet government targets. But there are loopholes

A significant new addition to planning policy in the draft NPPF is the Housing Delivery Test. For the first time, it requires local authorities not only to look forward at their housing land supply, but also to look back over what their policies have delivered.

We project that by 2019, 21 local authorities will be at risk of the heaviest sanctions unless they significantly improve the rate of delivery, or adopt new plans that have targets below current estimates of need. But the Test is likely to have a limited impact in its first year.

2018: clearing the first hurdle

We expect that no local authority will deliver less than 25% of its housebuilding target in the three years to March 2018 (results will be known in November 2018*). This means they will avoid the strictest sanction – for the presumption in favour of sustainable

development to apply to all proposals. The area most at risk is London, which contains half of the 12 local authorities delivering only 25% to 40% of their housing need.

There are limited sanctions for lesser failures. We predict that 119 local authorities will deliver less than 85% of their targets and be required to add a 20% buffer to their land supply. However, this sanction already applies to 46 of them under the current system due to past undersupply, so will only affect 73 local authorities.

A further 24 local authorities will face the lightest level of sanction, which is to produce an action plan to combat under-delivery. This leaves 183 local authorities (just over half) on track to pass the Test.

2019: falling at the second?

Serious sanctions are more likely in year two of the Test, which sees the threshold

for presumption in favour of sustainable development rise from 25% to 45%. There is also the introduction of the new standard methodology to calculate housing need.

We estimate that 21 local authorities are at risk of falling below the 45% mark at this stage. These areas would need to deliver an additional 6,500 homes in total in 2018/19 compared with current levels, to reach the 45% threshold. This is equivalent to more than 300 extra homes per district.

Alternatively, for the 12 of those 21 local authorities without up-to-date or advanced draft local plans, it may be possible to adopt housing targets below the expected housing need and reduce the delivery required to hit 45%.

In this alternative scenario, the unmet need must be fully accounted for through cooperating with neighbours to redirect the requirement.

*2018 results are based on modelling net additional dwellings data using the more timely Energy Performance Certificates for new homes

Housing Delivery Test More rigorous sanctions in 2019 will hit local authorities in the event of undersupply



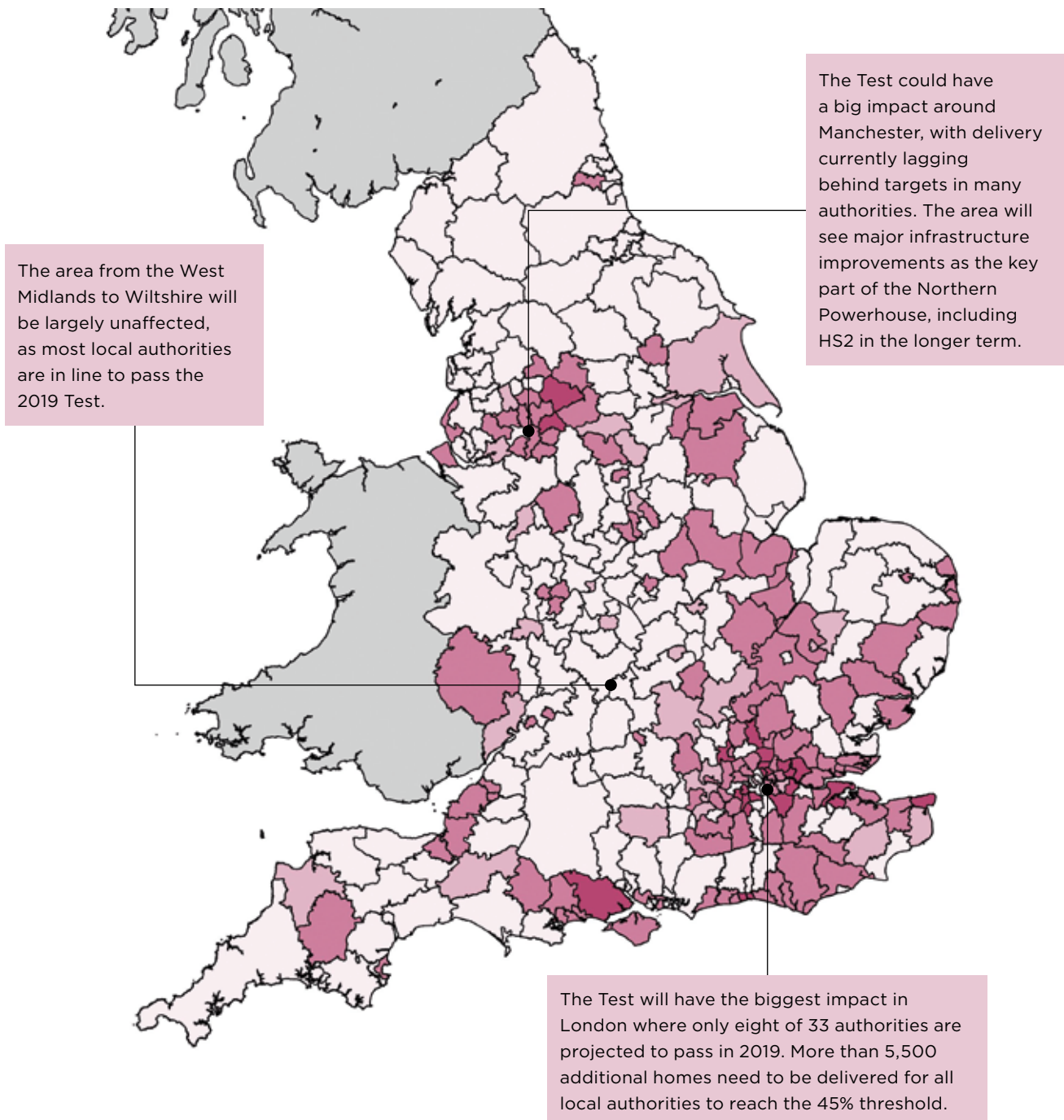
① In 2018, every local authority avoids the strictest sanctions

② In 2018, 119 local authorities are expected to fall below the 85% mark and face a 20% buffer sanction

③ In 2019, the proportion of local authority plans requiring no action falls from 56% to 52%

④ 21 local authorities risk falling below 45% in 2019, incurring presumption in favour of sustainable development

Source Savills Research using MHCLG data

Projected delivery pass rates for 2019 We predict only eight of 33 London authorities will meet targets

Housing Delivery Test 2019 (projected housing delivery against targets, April 2016 to March 2019)

■ Under 45% (Presumption in favour) ■ Under 85% (20% buffer) ■ Under 95% (Action plan) ■ Over 95% (No action)

Source Savills Research using MHCLG data

Rush to adopt

In September 2017, the Government launched a standard method for calculating local authorities' housing need. One of the outcomes from the application of the standard methodology was some significant increases in housing targets. The introduction of the standard

methodology is already having an impact on plan making with some local authorities seeking to quickly submit or adopt their plans before the changes in methodology comes into effect.

Central Bedfordshire and West of England (Bristol, Bath, North Somerset and South Gloucestershire) have openly stated that

the potential need to increase housing targets is a motivating factor in their aim to swiftly adopt proposed plans.

On the other hand, Solihull Council has slowed down its plan-making process. Having agreed to take unmet need from Birmingham, that number may fall under the standard methodology.

Falling short

Tasked with ensuring a five year land supply, having a local plan in place and meeting the Housing Delivery Test, many local authorities are struggling to hit their targets

With the addition in the revised NPPF of the Housing Delivery Test, local authorities now face a three-pronged battle to hit their targets for bringing housing development forward.

By combining information on five year land supply, local plan status and our projected Housing Delivery Test for 2019, we have created the Savills Planning Performance Index.

The areas that are shown as darkest orange on the map are those local authorities projected to fail on all three of these fronts: having no plan in place, fewer than five years land supply (see the map, below) and being projected to fall below the 45% target

for delivery through the Housing Delivery Test in 2019.

The London boroughs of Havering and Barking & Dagenham are just two of 14 local authorities that fail on all three of the key metrics. These key growth areas in the east of the capital have seen their housing targets increase by more than 60% in the New Draft London Plan.

No room for manoeuvre

The regions surrounding London aren't well positioned to take on the capital's overspill either, given that many local authorities in East and South East England

are unable to meet at least two of the criteria. A similar picture is emerging in Greater Manchester.

If this pattern continues, local authorities in these areas are at risk of having their local plan policies sidelined. Failing the Housing Delivery Test or being unable to guarantee a five year supply of land increases the likelihood of speculative applications for housing succeeding.

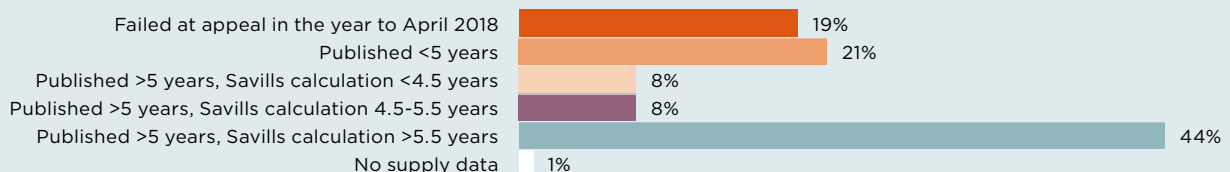
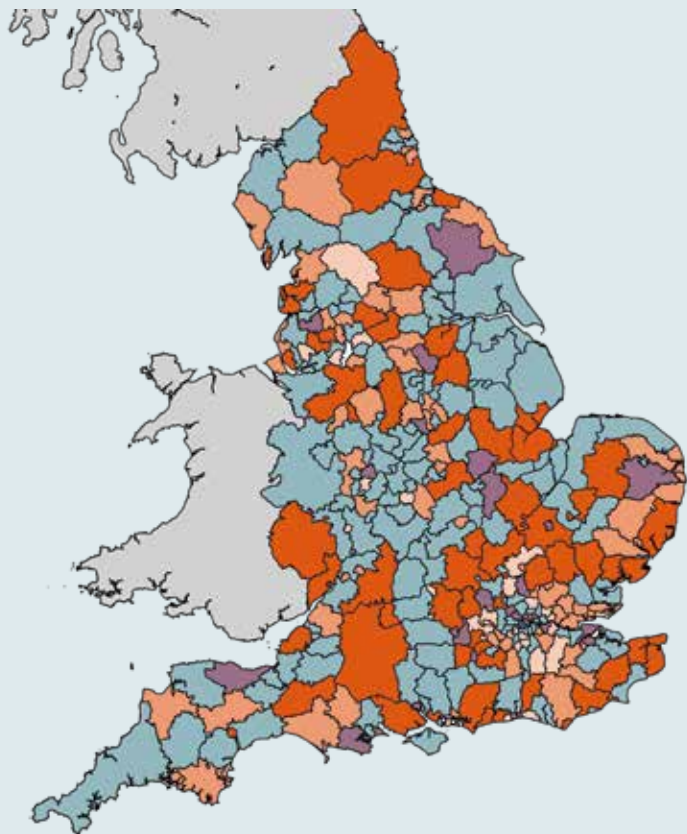
We project that 110 local authorities will fail on two or more measures by 2019. These local authorities account for 37% of national housing need and risk losing control of where housing development will take place.

Five year land supply

Identifying enough land to achieve the required level of housing delivery remains a challenge for many local authorities. In the year to April 2018, 61 local authorities (19%) had a lack of five year land supply confirmed at appeal – the same number as the previous year. Of these, 56% claimed to have more than five years' supply at the time of appeal.

There were 28 repeat offenders who failed to demonstrate an adequate land supply in both 2017 and 2018. These local authorities, among them Guildford and Surrey Heath, tend to be concentrated around London. This highlights the challenges of identifying enough sites in areas of high housing need where land supply is also heavily constrained.

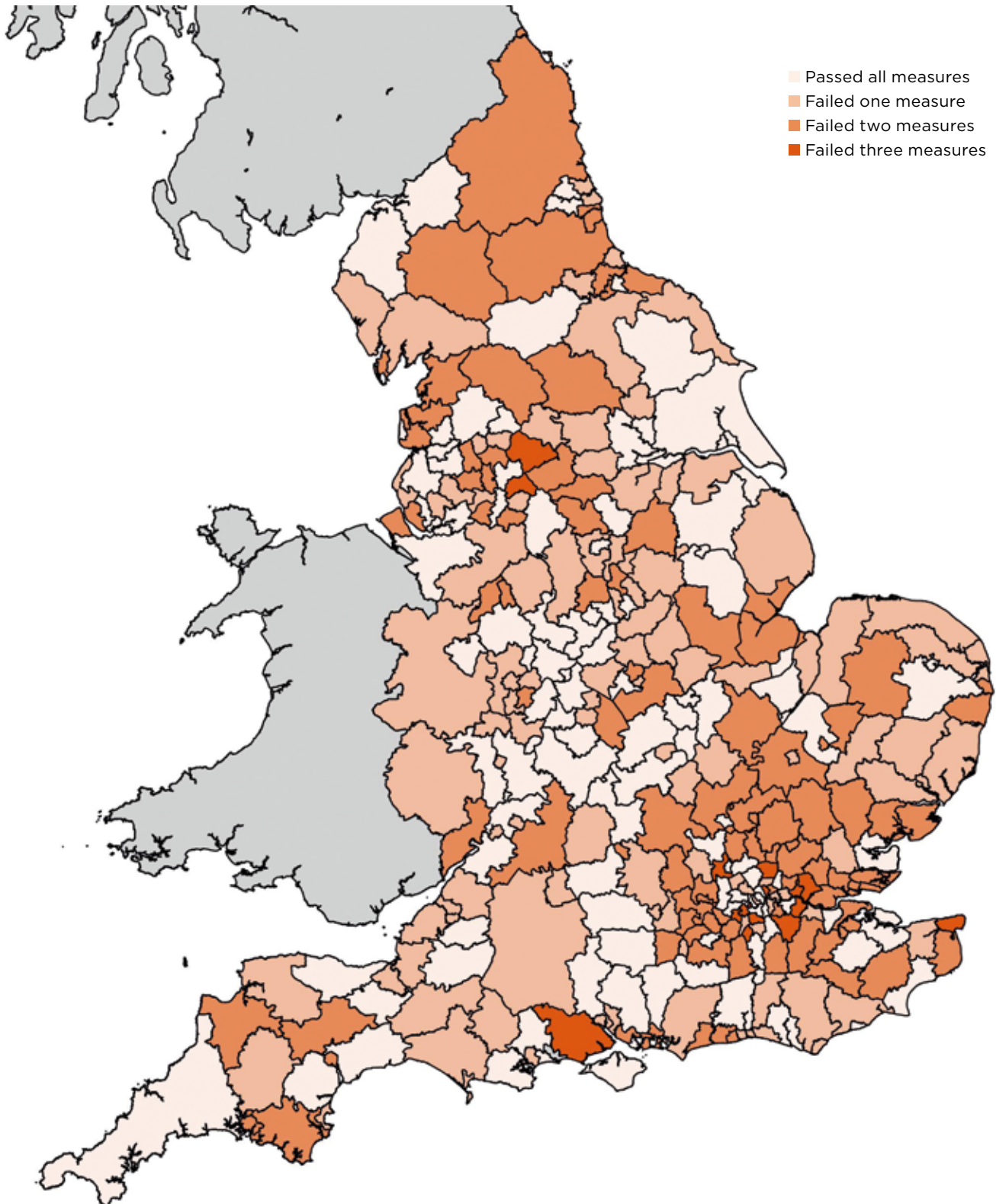
Twenty local authorities that reported sufficient land supply this year were deemed to have fewer than five years' supply on appeal in 2017. These authorities must have either identified more land following their respective appeals, or they still have fewer than five years' supply but haven't been challenged through appeal. The latter poses further questions about the extent of land supply across England.



Source Savills Research

Please see back cover for the methodology used to create the data above

Trouble comes in threes Who is failing on local plan status, five year supply and the Housing Delivery Test?



14 local authorities fail on all three

Islington Three Rivers Barking & Dagenham Bexley Bromley Calderdale Enfield
Epsom and Ewell Havering Merton New Forest Oldham Thanet Richmond upon Thames

Source Savills Research

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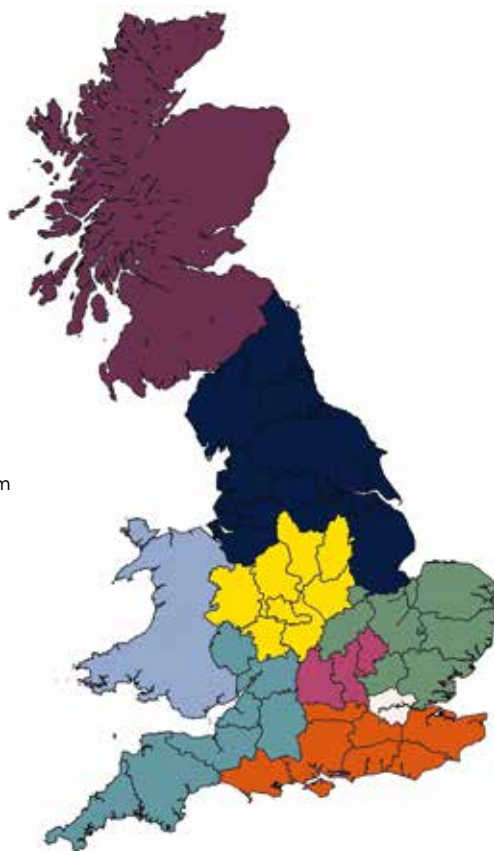
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Methodology of page 10: We have applied a simple five year land supply calculation to all local authorities in England using the LPA published supply figures. No adjustment has been made to the supply, and the methodology does not impose any different 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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