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Feeding the Pipeline

Assessing how many permissions are needed for housebuilders to increase the supply of homes

LICHFIELDS

LPDF
LAND PROMOTERS & DEVELOPERS FEDERATION

HBF
HOME BUILDERS FEDERATION

Executive summary

The relationship between the scale of planning permissions for housing and the number of homes built is regularly debated, but not always well understood.

This report – commissioned by the Land Promoters and Developers Federation and the Home Builders Federation– is one of three linked research studies exploring the topic. It looks at how many additional implementable planning permissions on sites are needed to achieve ambitions of delivering 300,000 net additional homes per annum across England from the current base of 243,770 net additional homes achieved in 2019/20. In doing this it looks at reported statistics from ten of the UK's largest housebuilders, including on their land pipelines (and what stock of sites is being drawn on to deliver new homes) and how that compares and correlates with the rates at which those engaged in housebuilding deliver new homes. These are then used to identify at a national level the scale of activity needed in ensuring there are sufficient implementable planning permissions for the housebuilding industry to scale-up delivery.

Based on our analysis we conclude:

1. The housebuilding sector and 'housebuilders' – companies, large or small, whose primary activity is the building and selling of new homes – are responsible for more than two-thirds of national housing output (c.36% from the 50 largest housebuilders alongside a circa one-third contribution from smaller builders). Significantly boosting housing delivery will require a substantial contribution from these companies who rely on a supply of timely and implementable planning permissions on sites in order for them to continually build.

2. Whilst housebuilders have pipelines of sites with planning permissions which represent their housebuilding activity for the immediate future, these pipelines are generally short (given building timescales) and on average only represent 3.3 years' output. This compares to Local Planning Authorities needing to demonstrate five years' worth of deliverable supply and an estimate that housebuilders would need to hold 5.7 year pipelines to secure annual growth in their housing output.

3. Increasing the number of 'outlets' – the active sites from which homes are completed – and doing so with a wide variety of different sites, is key to increasing output, with each housebuilder outlet delivering on average 45 homes each year. Increasing the pace of build-out would only be achievable with a faster top-up of development pipelines that are already short; over the medium to long term the same amount of land is required, whether built at a slower pace in parallel or at a more rapid pace in tandem.

4. To meet ambitions for 300,000 net additional homes per annum, the country will need to increase delivery by 59,200 homes per annum. This in turn illustratively necessitates between **474 to 1,385 additional implementable planning permissions on medium to large sites** (50-250+ homes) making their way into the housebuilding sector, albeit precise numbers will depend on ensuring a good mixture of size types and sizes come forward (e.g. more would be needed if delivered on smaller sites). This represents each **district** in England granting planning permission for the following, over and above what they usually would:

a Between 4-5 additional and new medium size sites each year **or** 4-5 additional and new large size sites which will deliver over the next five or more years, if the whole 'scale up' is on sites delivered by the housebuilding sector; or

b One or two additional and new medium size sites each year **or** one or two additional and new large size sites which will deliver over the next five or more years **and** 12 or 13 new smaller sites each year (or equivalent types of smaller permissions), if the housebuilding sector only delivers a proportion of the increase.

Each of these sites would need to be in addition to the usual flow of permissions granted (i.e. be alongside and in addition to maintaining the usual rate of activity) and this is likely to be a minimum estimate but would provide sufficient uptick in planning permissions to introduce the additional housebuilding outlets to hit 300,000 per annum. Self-evidently, at a district level, this is not an insurmountable task.

5. The distribution and locations of those permissions needed will not be uniformly spread across the country. Some areas – where there are particular imbalances between the permissions that exist and are coming through the system and the number of homes needed in that area - will need to do more than others. This will include many constrained areas, such as areas affected by Green Belt, where Local Plan progress has been slow and implementable sites are not yet coming forward.

6. Even if housebuilders were to build from their pipelines more quickly, additional permissions would still be needed as faster build-out would not realistically bridge the whole gap. Such a scenario would still necessitate more implementable planning permissions coming through the system to both increase outlets (alongside those existing outlets delivering more quickly) as well as to top-up pipelines more quickly and maintain them at a length which mitigates business risks (and without which housebuilders would not be incentivised at all to build-out pipelines more quickly). And of course, faster build out would simply increase the rate at which the pipeline needed to be replenished for when those sites were completed. Over the medium to long term, the same amount of land would be needed.

This analysis is based on a range of assumptions, and does not seek to determine either who should be building those sites (e.g. local builders or national brands) nor what types of sites could come forward (brownfield/greenfield, cities/towns/villages, allocations/new sites etc.) but provides an estimate of how many additional implementable permissions would be needed to be for the housebuilding sector to scale up delivery to meet the 300,000 homes per annum ambition. The precise quantification of the action needed is inherently difficult to identify, because the geographical dimension to this is important; but in simple terms, any increase in housing delivery would need to run commensurate with an increase in implementable planning permissions – and the estimates in this report provide some indicator of scale associated with achieving that. The scale of challenge highlights the need to resource the system appropriately to bring through those implementable planning permissions, as well as the need for planning decisions in areas where there are the greatest mismatches between output, permissions and need, to adequately reflect the imperative need to bring forward those additional housing permissions.

01
Introduction

Lichfields has been commissioned by the Land Promoters & Developers Federation ("LPDF") and Home Builders Federation ("HBF") to undertake research into how the pipeline of sites for housing development compares with what might be needed to meet the government's ambitions for 300,000 net additional homes per annum across England. There are three parts to the research:

1. **Analysis of how the number of homes with planning permission relates to housing need and delivery in different parts of the country** through a comparison of housing need (either as per the standard method or recently adopted local plans), planning permissions and completions at a regional and housing market area level. This was reported in Taking Stock: The geography of housing need, permissions and completions which was published in May 2021[1];
2. **Assessing how the stock of permissions relates to housebuilder pipelines,** rates of build out and the number of extra sites required to meet the government's ambition – this paper; and
3. **An analysis of what happens to the stock of permissions** for a number of local authority case studies. This is a more in-depth 'deep dive' exploration on how the stock of permissions granted is linked to the number of homes completed within a given timescale by monitoring the land supply positions across the authorities over a five-year period. It was reported in Tracking Progress: Monitoring the build-out of housing planning permissions in five local planning authority areas which was published in September 2021[2]

This report presents the output of the second part. It should be read in conjunction with the other strands of research which are already published.

Contents

01	**Introduction**	1
02	**Housebuilder Pipelines and Output**	3
03	**Additional Permissions to Meet Targeted Supply**	8
04	**Conclusions**	13

[1] Taking Stock available here
[2] Tracking Progress available here

Research Context

The '300,000 homes per year by the mid-2020s' ambition is one which first appeared in the Autumn 2017 Budget, and has been reiterated by the Government numerous times since, such as in the Planning for the Future White Paper (August 2020), the May 2021 Queen's Speech and by housing secretary Michael Gove in updates to the Housing, Communities and Local Government select committee in November 2021. Although a 'soft' target, in that it is not currently captured in a formal way through national planning policy and has a blurred genesis, it is a figure which would undoubtedly contribute to addressing the housing challenge, is achievable as a target and falls within the range of national output figures which various research reports have concluded as needed[3].

In order for this ambition to be met there needs to be sufficient land with planning permission for housing which has a realistic prospect of being built within the relevant time period. At its most simple level, if the Government wants 300,000 net additional homes built each year, over a five year period there would need to be sufficient permissions that would enable 1.5m homes to be built, plus whatever is needed to replace the number of existing homes demolished (averaging just over 10,000 per year since 2010/11), taking into account the number of conversions and homes that secure approval via permitted development (PD).

The past ten years has seen periodic commentary about how the number of planning permissions for housing has exceeded the number of homes built. Often drawing upon an annual research piece by the Local Government Association (LGA), the most recent being in May 2021 which purported to show 1.1m homes with unimplemented permission, the commentary has been associated with the allegation that developers 'hoard' land with the intention of benefitting from a rising market, generating a 'backlog' of permissions waiting to be built. This argument leads to the hypothesis that sufficient permissions exist for all the homes that are needed nationally, but that these are simply not being built out and that "planning is not the problem".

We explored these themes in our previous stages of research. In the first part entitled Taking Stock we looked at the national and sub-national picture on planning permissions, concluding that the 1.1m figure was not credible whilst also highlighting that planning permissions are not matched to areas of greatest housing need; many parts of the country – where affordability pressures are greatest – have the biggest gap between homes with planning permissions and the number needed. In Tracking Progress we did a deep-dive into what is actually happening to planning permissions in five case study localities, concluding that the vast majority of sites with permission are progressed expediently – with less than 5% lapsing – but that the build out of larger schemes is often phased, with many homes on those permissions coming later than five years from the initial, typically outline, consent.

The commentary on unimplemented planning permissions is often accompanied by ire directed at 'housebuilders' and particularly the major national builders, who are accused of holding on to land with planning permission and restricting supply, in order to drive up prices of homes or the land[4]. This accusation persists despite many a study and investigation concluding that this does not occur; from Kate Barker's seminal research in 2004[5] and the Office of Fair Trading in 2008[6] to the Letwin Review in 2018[7].

Often, what such accusations fail to consider is what housebuilder pipelines are, how they relate to output, and the degree to which housebuilders, and land promoters who source, secure and feed those housebuilders land with planning permissions, have an important (albeit far from the sole) role in driving housebuilding rates to meet Government targets.

This paper considers housebuilder pipelines, analyses how their annual output relates to the number of sites with permission on which they are building at any given point (often termed 'outlets') and seeks to estimate how many additional implementable permissions would be needed for the housebuilding sector to scale up delivery to meet the 300,000 homes per annum target.

[3] As helpfully summarised in the House of Commons Research Briefing Paper 'Tackling the under-supply of housing in England' (January 2021)

[4] For example see https://www.thetimes.co.uk/article/use-it-or-lose-it-rule-for-housebuilders-amid-crackdown-on-land-banking-7wfcdk7nh

[5] The Barker Review of Housing Supply 'Delivering Stability: Securing our Future Housing Needs' March 2004

[6] OFT 'Homebuilding in the UK: A market study' September 2008 https://webarchive.nationalarchives.gov.uk/ukgwa/20140402160708/http:/oft.gov.uk/shared_oft/reports/comp_policy/oft1020.pdf

[7] Sir Oliver Letwin 'Independent review of build out: draft analysis' June 2018 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718878/Build_Out_Review_Draft_Analysis.pdf

02
Housebuilder Pipelines and Output

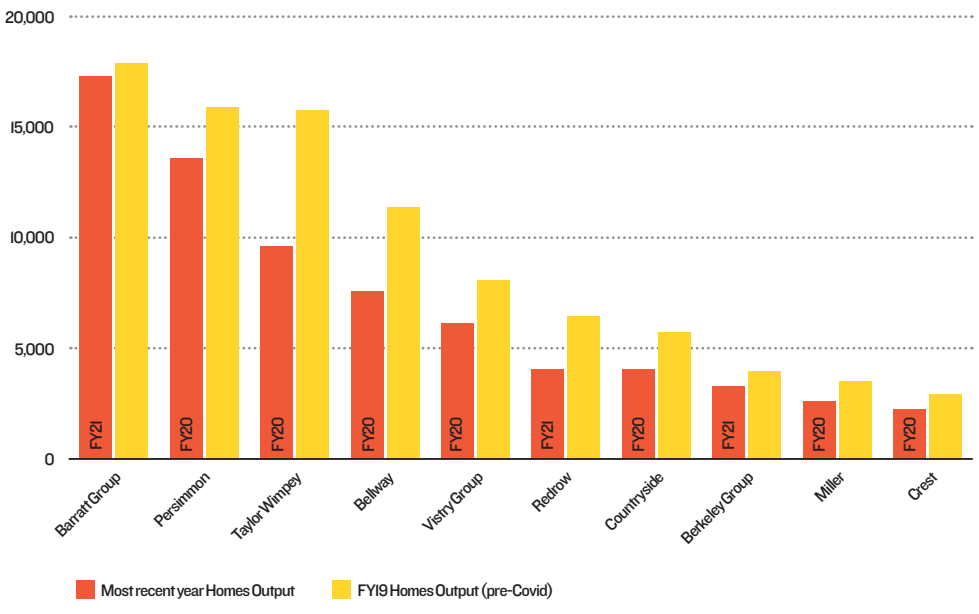
In England 243,770 net additional homes were delivered in 2019/20 (252,800 gross completions). To hit 300,000 net additional homes by the mid-2020's around 312,000 new homes (gross) would need to be built each year, accounting for demolitions which run at around 4% of gross supply on average[8]. This leaves an increase in gross output of around 59,200 additional homes per annum needed to hit 300,000 by the mid-2020's.

Housebuilders – broadly defined for the purpose of this research as those companies whose primary activity is the building and selling of new homes – deliver a large proportion of those new homes every year. Of the national housing output , the top 50 housebuilders accounted for c.36% of all additional homes (c.24% for the top 10), whilst a similar proportion were delivered by smaller housebuilders (the remainder being split relatively evenly between delivery by housing associations/ public bodies and private individuals/other developers via conversions or changes of use). The scaling up of housing delivery will inevitably need housebuilders to contribute significantly to increasing output.

To consider this and understand how many additional sites, outlets and implementable planning permissions would be necessary to bridge the gap to 300,000 homes per year, we have reviewed publicly available data from several of the major housebuilders to explore how their output compares to the national delivery needed. We have focussed on 10 of the largest housebuilders (based on recent years' number of homes completed) for which annual reporting data is made available . These 10 housebuilders are looked at not because we assume that they will be the businesses responsible for increasing output (though they will clearly play a role), but because their published information provides a reasonable benchmark for our purposes of the way the wider housebuilding sector, small and large, builds out new homes from its land pipeline.

These 'Top 10' housebuilders are illustrated in Figure 1 by the number of homes they completed in their most recent (as at September 2021) reported year and the equivalent for the 2019 financial year (FY19) which reflects output pre-pandemic. In total, this group delivered over 69,000 new homes in their most recent years' trading, down from over 88,000 within FY19.

Figure 1 'Top 10' housebuilder output



[8] MHCLG Live Table 120, Components of net housing supply, England – average demolitions as % of gross supply for five years 2015-16 to 2019-20.

[9] England, Scotland, and Wales to be consistent with housebuilder reporting

[10] This is not a definitive 'top 10' but is a selected group for the purposes of this research. For example, this does not include Bloor Homes which is privately owned and does not report all its activity. It does not include CALA Homes whose acquisition by Legal & General and subsequent changes to accounting periods, meant their information was not readily comparable for research purposes.

We have collated further data and metrics from housebuilder annual reports including:

- **Pipelines** – The number of homes within each housebuilders' pipeline, split where possible by different type.
- **Site sizes** – Where available, any information on the average size of site being delivered by these larger housebuilders.
- **Output** – The number of homes completed within each year over the last five years, including those built for market sale, those built for transfer to a registered housing provider and including any built as part of joint ventures.
- **Outlets** – The average number of active sales outlets – or sites – where homes were being completed each year over the last five years.

This has then enabled us to consider how many new sites, outlets and permissions will be needed if housebuilders are to increase output to help meet the target of delivering 300,000 homes each year in England by the mid-2020's.

Pipelines

A land pipeline, sometimes called a landbank, is the inventory of land which a housebuilder has at any given point on which it is going to build homes in the future. Housebuilders obtain this land in different ways, including:

1. land they purchase with an existing (typically 'outline') planning permission where another company, such as a land promoter, has brought forward the land;
2. land where the housebuilder agrees an option with the landowner to purchase the site, if they achieve an allocation or planning permission on it later; and
3. where a housebuilder enters a joint venture, for example with a Council or public body who own land, to build homes and deliver regeneration.

These are all equally important sources of land for housebuilding activity, and housebuilders, particularly the largest housebuilders, will source land from all three routes. Indeed, for the largest housebuilders, much of the stock of their immediate building land will be supplied by land promoters who take on the risk and costs of achieving an outline planning permission, sometimes also putting in place key infrastructure, before selling it on to a housebuilder to build the homes.

Research by ChamberlainWalker Economics for Barratt Developments[11] explored the role of housebuilder pipelines, explaining how they are necessary to provide housebuilders certainty and continuity on land as a 'raw material' input to building new homes. Holding a conveyor belt of sites moving towards delivery is an important part of any building business, and the faster the conveyor belt runs to increase output, the quicker additional new sites need to be added to it. ChamberlainWalker estimated that housebuilders would need to hold pipelines of at least 5.7 years to secure annual growth in completions whilst ensuring business security – if a housebuilder increased output without increasing its pipeline, it would speed towards the cliff edge of exhausting its supply of implementable sites.

We have looked at the number of homes (often referred to as 'plots') within each housebuilders' pipeline, split where possible by those defined or described as 'immediate' or 'implementable' – often tallying with those where detailed planning permission exists and construction can commence imminently or is already underway – and those in the pipeline where work is progressing towards delivery but they are not yet implementable – often including sites which are shortly proceeding to planning, or only benefit from an outline permission[12].

[11] ChamberlainWalker, 'The Role of Land Pipelines in the UK Housebuilding Process', September 2017 - https://cweconomics.co.uk/wp-content/uploads/2017/10/CWEconomicsReport_Land_Banking.pdf

[12] Not all housebuilders delineate or divide their pipelines in the same way. As such we have sought to divide the pipeline into the two groupings of 'immediate' and 'proceeding' based on information available from each individual housebuilder and a best fit of their own definitions/descriptions. Generally immediate sites are ones where detailed planning permission exists and can either be implemented now and construction commence, or have actually already been implemented, with construction coming forward (often on a phased basis).

This excludes 'strategic land' which is that typically controlled by housebuilders under option agreements (but not owned by the housebuilder), or controlled by land promoters under promotion agreements, where there is no current planning status and therefore no certainty on successfully seeking planning permission. For example, these will often be sites that have been and/or will be promoted for allocation within Local Plans. Some commentators make the allegation these strategic sites are deliberately hoarded and withheld from the planning system, but no evidence has ever been presented for that. In reality – in order for the landowner to realise its value – an option or promotion agreement will normally require the housebuilder or promoter to promote the site through the planning system when there is the opportunity to do so; the delay in such sites coming forward generally arises because there is no progress with a local plan that would allocate the site, or the plan in question chooses to allocate a different site. In these circumstances, there is no basis for the housebuilder to advance a speculative planning application unless there are particular reasons to believe a permission would be forthcoming in the context of the NPPF.

Figure 2 Housebuilder 'immediate'/'implementable' pipeline size and equivalent years supply it represents

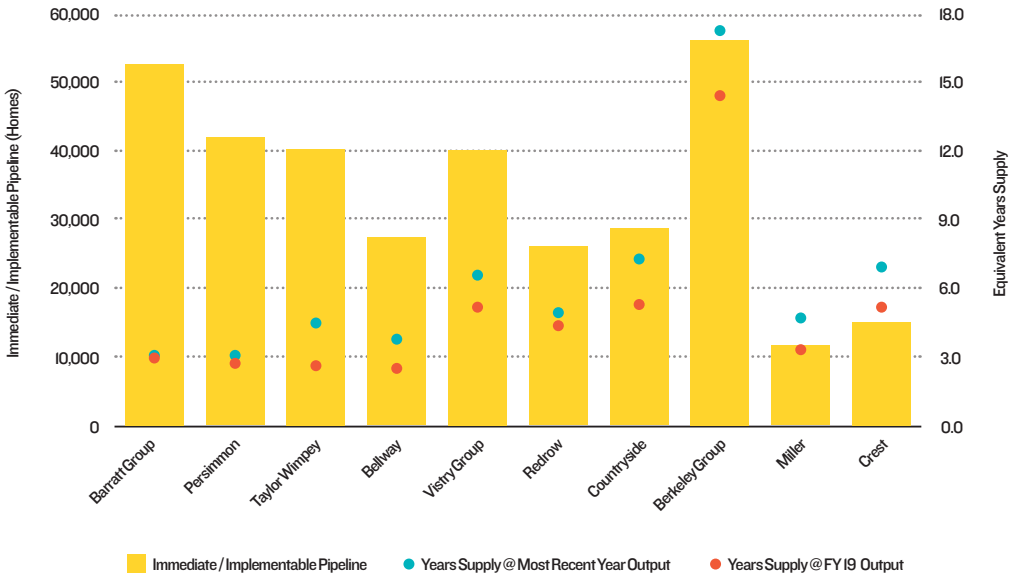


Figure 2 illustrates the housebuilders' 'immediate' or 'implementable' pipeline and how many years output it represents at recent annual completion rates. It shows some significant variability across the biggest housebuilders in terms of their land pipelines. The three largest housebuilders, Barratt, Persimmon and Taylor Wimpey hold implementable pipelines of 3.0, 2.8 and 2.6 years respectively (at FY19 output levels[13]), whilst Vistry, Countryside and Berkeley hold much larger pipelines. This is explained by the different and distinct operating models that exist within and across housebuilders, with the latter businesses engaged in more large regeneration type activity via joint ventures, which will be phased over many years, involving land assembly, decanting tenants to new accommodation, demolition and replacement. Whilst any housebuilder might be engaged in both types of activity to different degrees – 'traditional' housebuilding activity tends to rely on a quicker churn of sites to achieve faster returns on capital expenditure and hence pipelines are shorter than those engaged in regeneration activity where costs and risk might be spread amongst partners.

[13] Utilised as a Covid-unaffected estimate with the equivalent being 4.9 years against the most recent years' output, where for some housebuilders this figure includes a time-period where lockdowns had hit construction.

By way of example, in the case of Berkeley Group - an outlier among the ten - they report 'plots' (homes) on all land holdings where a 'backstop planning position' exists, itself not necessarily consistent with the 'immediate' pipeline definition used by others. Their pipeline also includes long-term complex regeneration developments, many already under construction but where activity is expected to continue over many years and decades, such as at their Woodberry Down (5,500 homes) or Kidbrooke Village (5,000 homes) regeneration projects in London. Berkeley's average site size was 659 homes, more than triple the median of 216 homes we recorded across the other nine housebuilders' site sizes.

Such large, and multi-phased, developments also highlight why it is not just a case of housebuilders simply drawing on existing pipelines to increase output; the largest schemes in housebuilder pipelines will often already be under construction but will be delivered over many years (as we found for schemes in our previous research Tracking Progress). What will be important is how many outlets can be achieved from a pipeline, taking into account all the wider factors that influence practical build out.

Across the housebuilders examined, and excluding Berkeley as a clear outlier, those businesses hold a pipeline equivalent to 3.3 years' output against their FY19 figures. This is both less than ChamberlainWalker estimated was necessary to grow output, and is also less than the five year supply of 'deliverable' sites Local Planning Authorities are required to demonstrate within the NPPF, highlighting the importance of new implementable planning permissions consistently coming into housebuilding businesses to maintain output.

Output and outlets

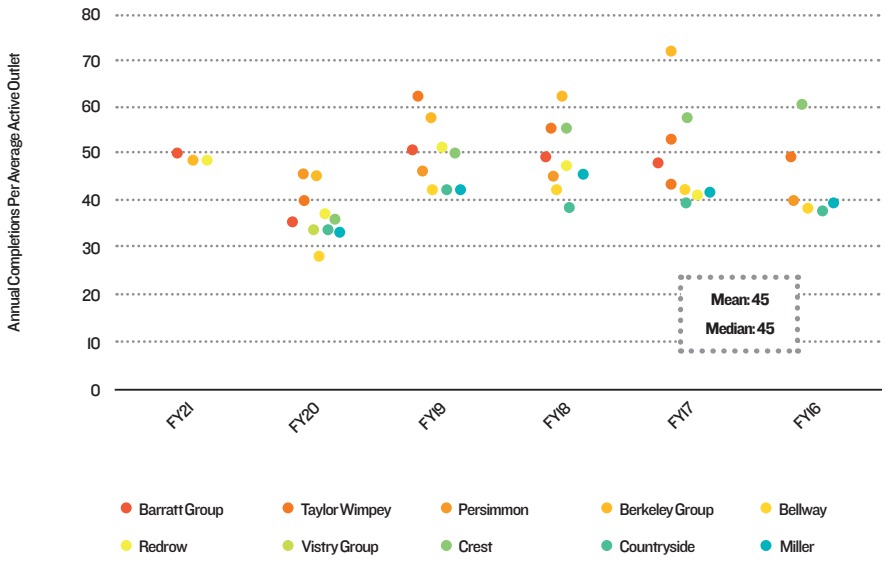
Outlets are the sites from which a housebuilder is actively completing homes for sale, either to the market or to other entities (e.g. to registered housing providers for affordable homes). A single site might represent an outlet for housebuilder, although on very large sites (e.g. of several hundred or thousands of homes) there may be two or more outlets with homes being built by different housebuilders or under different brands.

Housebuilders typically report how many active outlets on average they were selling homes from across the year. Dividing the total number of completions by the average number of active outlets, we get an estimate of how many homes are completed per outlet each year for each housebuilder. Again, there is variation between housebuilder and by year. Figure 3 shows a range between 30-60 completions per outlet per year, although completions by outlet in FY20 were down among all housebuilders. Over the last five years trading there has been an average among the 'top 10' housebuilders of 45 completions per outlet per year. However, this fluctuates with many housebuilders reporting for 2021 increased volumes of output from fewer sales outlets, reflecting a strong demand but slower pull-through of new sites with planning permission into their pipelines.

Comparing the average annual completions per outlet (45 per year) with the broad average size of site reported by housebuilders (216 homes site size) suggests an average size site at average completion rates would deliver homes for a phased period of approximately five years. Again, this illustrates why housebuilders hold pipelines; they are often the build-out on sites for their forthcoming years' operation, with a constant need to replenish sites as they finish.

All but one of the housebuilders we looked at refer to specific aspirations to grow output volume and/or outlets within their corporate reporting[14]. To be able to do this, and for the housebuilding sector as a whole to contribute to achieving the national target, it will inevitably mean ensuring more implementable planning permissions come through the system such that it can increase the number of outlets, and in turn the overall output, achieved by the sector.

Figure 3 Housebuilder housing completions each year per average active outlet in that year



[14] Berkeley, perhaps due to their business focus and long-term regeneration focus, were the only housebuilder whose reporting did not appear to explicitly identify growth in output volume as a target/ aspiration.

03
Additional Permissions to Meet Targeted Supply

With an estimated 59,200 growth in gross housing output needed for England to achieve 300,000 net additional homes per annum by the mid-2020's, we have looked at how many additional outlets with planning permission will be needed to bridge the gap to that target.

To model the additional implementable permissions needed to increase outlets and outputs we have used metrics from our review of housebuilder activity, to estimate the scale of the challenge under two key scenarios:

1. **Scenario 1: the whole 'scale up' is on mid-sized sites delivered by the housebuilding sector.** This assumes that others sectors, such as housing associations, Local Councils, private individuals and small developers undertaking conversions or changes of use continue to contribute to national output at the same rate, but that the increase to achieve 300,000 is delivered by the housebuilding sector increasing output bringing forward additional sites and outlets.
2. **Scenario 2: the housebuilding sector maintains a market share as output is scaled up.** This assumes that the 'top 50' maintain their market share at 36% and the remaining housebuilding sector, including SMEs, also maintain their share of around a third. This means other sectors also proportionately increase their output alongside the housebuilding sector, with output from the public sector and/or other sources (e.g. recent changes to permitted development rights) rising alongside housebuilder activity.

The above scenarios represent some reasonable bookend ranges for how the scale-up might manifest, particularly given the housebuilding sector's appetite to increase output (as signposted in their corporate reporting). Fundamentally both scenarios require more homes being built on more outlets (sites), which means ensuring more implementable planning permissions come through the system over and above the current run rate of permissions (i.e. it achieves genuine net additionality to what would have been permitted in any case). Whilst other levers of supply (e.g. permitted development) could help boost output, new planning permissions will be a necessity if Government is to hit the 300,000 homes a year ambition; the housebuilding sector is generally not holding long land pipelines which would enable it to increase production over the short-to-medium term, without those land pipelines also being topped-up more quickly to ensure their businesses remain a going concern.

In considering this, we make the following assumptions and hypotheses which we consider would likely hold true:

1. The underlying level of planning permissions and planning activity over recent years which has enabled England to achieve 243,770 net completions in 2019/20 would be sustained as a baseline, but that increasing new completions will necessitate proportional additional implementable planning permissions over and above that baseline. That would include additional full planning permissions as well as additional outline with reserve matters permissions being permitted through the system, with both housebuilders and land promoters playing their part.
2. An average housebuilder outlet will deliver 45 homes over a full year. This is considered a middling estimate and is drawn from an average over five years, encompassing a range of market conditions. We have also sensitivity tested this to consider what would happen, and what it would mean, if this rate were to increase. For the purposes of this research, we are agnostic about the mix of tenure of those homes, focussing instead on the planning permissions that would be necessary to build new homes irrespective of tenure.
3. An outlet could theoretically be on a site of any size, but the size and nature of site which is granted an implementable planning permission directly influences the number of those permissions needed to be granted and over what period. For example, a single planning permission for 225 homes (i.e. on a "large" site) might provide a single outlet with five years of output at 45 homes per annum, or alternatively planning permissions for 45 homes (i.e.

on "medium" size sites) granted each year over five years (totalling 225 homes and an outlet delivering in each year, albeit different ones) would result in the same overall output. What is key is maintaining a sufficient supply of planning permissions to keep more outlets delivering at any given time.

4. A housebuilder could be any company engaged in delivering homes at any scale. It is not assumed that any and all permissions should go to a specific part of the market (e.g. to the major volume housebuilders), they could equally represent increased output by local housebuilders. Indeed, it is desirable that in any local market there may be many different housebuilders building and providing competition, different products from different outlets and increasing supply through increased absorption rates[15]. We only use the Top 10 housebuilders as indicative of the capacity in the industry that can be used to increase output.

5. A 5% buffer should be applied when relating homes output (i.e. homes being built and completed) to the planning permissions which would be needed to achieve that level of output. This reflects both our findings from Tracking Progress, where we concluded between 3% and 5% of planning permissions might be expected to lapse, and the requirement within national policy[16] for Local Planning Authorities to hold a minimum 5% buffer on their deliverable housing supply to ensure choice and competition in the market.

It is further worth noting that we do not make any presumption about the type of sites that could come forward to meet the objectives of increasing output. They could be brownfield sites or greenfield sites, in cities, towns or villages and might be existing Local Plan allocations or might be newly identified. The types of sites will be different for different areas, but what we do assume is that planning permissions need to be 'implementable'; that is, ready to start building within a reasonably immediate time-horizon.

How many additional permissions do we need?

Our analysis – summarised in Table 1 – suggests that to increase output to 300,000 homes for a single year by mid-2020's in England, we would need to deliver between 474 and 1,385 additional implementable planning permissions for medium to large sites (50-250+ homes) into the hands of homebuilders. To then replicate this on an annual basis (i.e. achieve 300,000 homes per annum), this scale of additional permissions would need to be repeated year-on-year alongside sustaining 'normal' or 'usual' levels of activity granting permissions on sites, particularly if a sustained increase in output is to be achieved on many small sites (e.g. five sites of 50) rather than a larger site (e.g. one site of 250).

This is equivalent to each of England's districts approving implementable planning permissions for:

- 4-5 additional and new medium size sites each year or 4-5 additional and new large size sites which will deliver over the next five or more years (our Scenario 1); **or**
- One or two additional and new medium size sites each year or one or two additional and new large size sites which will deliver over the next five or more years and 12 or 13 new smaller sites each year or a significant uptick in, for example, conversions or single dwellings (our Scenario 2).

These would be in addition to the Council's normal level of activity and highlights the scale of collective challenge that is faced. Whilst these scenarios are illustrative, it is true to say that in different locations different types of sites will need to be granted permission to enable the scaling up of output on a wide portfolio of local sites and opportunities. Achieving additionality will need a varied profile of sites at the district level and may mean one district permitting more larger sites where several housebuilders can deliver at scale, whilst another might have that already and need to focus on smaller sites to enable many local builders or regional SMEs to enter the market. We have used notional site sizes only to highlight what scale of activity the challenge might equate to at a district level.

[15] For example, as concluded in the Letwin Review

[16] NPPF paragraph 74

Table I Additional Permissions to Meet Targeted Supply

	Scenario I: Whole 'scale up' is on medium size sites/delivered by housebuilding sector.	Scenario 2: Housebuilding sector 'top 50' maintains market share at 36%.
Additional p.a. gross output needed (England)	+59,200	+59,200
Additional p.a. gross output on larger/ housebuilder type sites	+59,200	+2I,3I2
Additional outlets at 45 homes p.a. output	I,3I6	474
Additional implementable permissions required over and above current run-rate (with 5% buffer)	I,385 additional planning permissions each year on sites of 45 homes size – equivalent to 4 or 5 new sites in each district each year (or 20-25 over five years); OR I,385 additional planning in one year on sites of 225 homes (close to the average housebuilder site size) – equivalent to 4 or 5 new larger sites per district to deliver over the next five years.	499 additional planning permissions each year on sites of 45 homes size – equivalent to I or 2 new sites in each district each year (or 5-I0 over five years); OR 499 additional planning permissions in one year on sites of 225 homes (I or 2 per district) AND A multitude of smaller sites and permissions to service the SME housebuilder market and the remainder of the non-housebuilder market (e.g. c.3,800 permissions for sites of I0 home capacity)

This is likely to be the smallest number of total additional implementable planning permissions needed to increase output to meet the national target. In reality more will be needed for many reasons:

1. If the increase in delivery is focused on smaller sites and/or towards different size builders to maintain a good mix of different types of sites this might mean LPAs needing to permit many more sites.
2. Similarly, the imperative to bring through implementable planning permissions may include bringing through re-plans, amendments or new reserved matters applications promptly such that builders can build, with our research in Tracking Progress indicating 10-15% of schemes require fresh planning permissions to address amendments after their initial consent.
3. Housebuilders (for business and supply certainty reasons) and LPAs (to comply with national policy) need to have pipelines of permissions looking ahead several years. With the overall stock of permissions starting from low base in comparison to the scale of growth targeted, there is a need to not just increase permissions for immediate delivery (as estimated in the above analysis) but also increase pipeline lengths so the stock being held more closely matches what is needed.
4. It is also the case that the planning system will need to continue to look ahead far beyond the mid-2020's. Delivering a strategic vision for growth over the coming decades will mean many urban extensions and Garden Villages in different areas will need to be granted planning permission alongside smaller and more immediate sites, providing a backbone of delivery long into the future. A varied portfolio of different sites all delivering simultaneously will be important.

These factors will all combine to mean there is a need to increase the total stock of planning permissions held at any given time. This is consistent with our research in Taking Stock which estimated that between 1.7m and 2.4m homes would need to be held as a bank of homes with permission taking account the various factors (including lapse rates, overlapping permissions, and large phased sites). Ensuring the planning system and Local Planning Authorities are adequately resourced to address this required uptick in activity will be a key challenge.

The distribution and location of the needed permissions

The distribution and locations of those permissions needed will not be uniformly spread across the country. As we concluded in Taking Stock, housing permissions are not evenly spread or matched to where the evidence and planning system says they are most needed. This means that those Local Planning Authorities that are not doing enough to bring forward the permissions to meet their needs (for example, by bringing forward sound local plans) will have to do proportionately more, whilst LPAs meeting or exceeding targets may need just to maintain a flow of permissions to keep housing delivery on track. This is also seen in the results of Government's Housing Delivery Test[17], whereby on an LPA-by-LPA basis, outturn has ranged from less than 1/3rd of required delivery to more than three times required delivery.

However, this geographical imbalance presents challenges. Many of the areas where there is the greatest imbalance between permissions and homes needed are in the most constrained areas of the country, including many areas affected by Green Belt. In such areas the release of land for housing is controlled by progress on Local Plans, with associated Green Belt reviews and allocations, which are often proceeding at a slow pace and not kept up-to-date. In such areas, particularly where Green Belt is a factor, it means there are real barriers for bringing forward implementable planning permissions to deliver much needed new homes in a timely manner[18].

At a local level, there also needs to be a balance as to the optimum number of active outlets at any given point a local market can support. This is often referred to as market absorption; the rate at which any local market can sustain a given level of housing delivery, relative to the different types demand that exists. This was a focus of the Letwin Review which recommended that it is desirable to create local choice and competition, with different housebuilders (growing their market share and in competition with each other, putting downward pressure on prices) and different types of housing being delivered. Nevertheless, in any local area there will also be natural limits to market absorption, meaning the more outlets/sites in a given area, the lower the build-out rate from each additional outlet added[19]. Ultimately, at a national level and to ensure strong delivery which meets targets, this means adding implementable planning permissions where demand is strongest and in areas already underserved by planning permissions in the pipeline. Permissions in a much wider variety of locations are likely to be needed.

This focus on geography highlights an important principle. It would be a mistake to look at the picture only at a national level and then use it to make sweeping assertions about the supposed limits on the capacity of housebuilders to grow their output. National volume housebuilders sustain their current volumes with very uneven levels of housing market penetration, being much more active in some areas than others, subject to the barriers to house building in each location.

Volume housebuilder output is not a national zero-sum game where volume is subject to some arbitrary national limit on capacity; most of the ten largest housebuilders have a business objective to grow volume. Put another way, homes are not built and sold – profitably – in Sheffield by a national volume housebuilder at the expense of houses they would otherwise build in Sevenoaks or St Albans; it is the absence of an up-to-date plan releasing sites for development that is fettering new homes being built in the latter. And of course, if Local Plans in those districts did release land and homes were built there, there is no evidence the volume housebuilder would take them forward at the expense of profitable development in Sheffield. Geography matters.

[17] Housing Delivery Test: 2020 measurement, available here

[18] This is reinforced by the Lichfields research on the Housing Delivery Test – Effective or Defective – which found that in four out of five cases, the authorities that fail the most punitive threshold are those that cannot demonstrate an up to date Five Year Housing Land Supply, meaning the tilted balance has already been triggered. In addition, around half of the authorities that fail this threshold are significantly constrained by Green Belt and/or other NPPF Footnote 7 designations, meaning that 'very special circumstances' (or similar stringent tests) are required to justify new housing development, which is not always possible. The report is available here.

[19] Lichfields observed this in our research 'Start to Finish: What factors affect the build-out rates of large scale housing sites' (2nd Edition): https://lichfields.uk/content/insights/start-to-finish

Increasing absorption or build out from the current stock of permissions

Some commentary focusses on the existing pipeline of permissions and points to this as indicating that an increase in output to 300,000 units per annum could just be achieved by building these out more quickly, with the inference being that there is no need for additional planning permissions to come through the system.

The analysis above highlights how the current stock of permissions and housebuilder pipelines do not indicate any sense that there is a surfeit of planning permissions (and of course, there is an active shortage of permissions where housing need is greatest), but even if build-out from outlets were successfully increased by the housebuilding sector, there would still be a need to deliver more permissions.

By way of a sensitivity test to our above scenarios, if the whole housebuilding sector (large and small builders of all types) had increased its output from its existing permissioned land pipelines by 10%, in 2019/20 it would have delivered approximately 200,000 homes contributing to a total of 271,000 gross additional dwellings (instead of c.182,000 contributing to a total of 253,000 gross additional dwellings). This would still leave a significant uplift of c.41,000 gross output to bridge combined with a commensurately shortened pipeline, which would need topping up with extra sites in order for housebuilders to maintain a pipeline that averages just 3.3 years across the 'top ten' and is three years or less for the three largest builders. And looking ahead, if that was to be achieved on outlets with a, say, 50% increase in their absorption/build rate (i.e. 67.5 homes completed per year per outlet on average – well above what's been achieved on average in the last five years and broadly reflective of the highest single year rate achieved by just one of the 'top 10' housebuilders) this would still necessitate between 230 and 640 additional implementable planning permissions on medium to large sites.

Increasing the speed of output from the existing stock of permissions may be one lever available to help to boost output, and there is some reporting very recently from housebuilders that this is happening with increased sales rates (around 50 p.a.) above the five year average (45 p.a.). The pace of build out sustained at a specific outlet is a product of many different factors, from the physical speed of construction achievable to local market absorption, the number of different 'flags' and mix of dwelling types. There are obvious merits in a faster rate of delivery. However, it is neither a silver bullet to achieving Government's housebuilding ambitions nor a solution that would negate the need for an increased rate of planning permissions being approved as a whole across the country. In fact, faster build out would only be achievable and incentivised with faster top-up of development pipelines that are already short for most of the builders given the planning risks[20], which would mean more permissions coming through to either replace those homes being completed within the stock of permissions and/or to add further outlets alongside existing ones. Underlying all of this is the simple point that, over the medium to long term, in order to achieve a given number of homes built, the same amount of land is required, whether built at a slower pace in parallel or at a more rapid pace in tandem.

[20] Of note, whereas the rate of approval for all planning applications is 9 in 10, for major residential schemes it is 8 in 10 and for minor residential projects it is 7 in 10 (Source: DLUCH planning application statistics). Excluded from these figures are schemes that are not even submitted for application because the prospects of securing a permission are not sufficient to justify the investment in the planning application.

04 Conclusions

It is undeniable that if we are to increase housing output at a national level, some form of planning permission (or approval/consent) will be needed for those homes to be built. It is also true that that those planning permissions will need to be granted by the planning system, with LPAs in the driving seat. It is LPAs that are responsible for preparing local plans and then demonstrating a deliverable supply of land for homes. This means actively aiming for an ongoing flow of permissions at a rate that can boost housing supply, particularly in the parts of the country where supply falls short of local need. Once granted, often through the work of a specialist land promoter who takes on the cost and risk of achieving an initial outline planning permission, it is primarily housebuilders – from the very large to the small local builder – who will build these new homes. Our analysis looks at housebuilder activity to estimate what the planning system would need to do in order to support a scale up to deliver 300,000 new homes per annum. It finds:

1. **The housebuilding sector and 'housebuilders' – companies whose primary activity is the building and selling of new homes – are responsible for more than two-thirds of national housing output**. Around 36% of all additional homes across the country are built by the top 50 largest housebuilders (c.24% for the top 10), whilst a similar proportion is delivered by smaller builders (the remainder being delivered by housing associations/ public bodies and private individuals/other developers via conversions or changes of use). Significantly boosting housing delivery will require a substantial contribution from the housebuilding sector who rely on a continued supply of timely and implementable planning permissions on sites in order for them to continually build. The presence of 'strategic land' – via option – that is controlled by housebuilders (or equally – via promotion agreement – controlled by land promoters who deliver consented land into housebuilders) is not developable land in the sense that, usually, it is not yet allocated for development, and is subject to it being selected by local authorities for allocation in local plans (or speculated on via application, which carries planning risk). Option or promotion agreements will typically require housebuilders or land promoters to actively promote such sites (as it is only that which generates any value for the landowner), so it is the planning system that impacts how much of this strategic land is pulled through for development into the active pipeline.
2. **Whilst housebuilders have pipelines of sites with planning permissions, these pipelines are generally short and on average only represent 3.3 years' output, with the largest three operating with a pipeline of three years or less**. These immediate sites are immediately implementable (often already being under construction) and compare to five years of deliverable supply required to be demonstrated by Local Planning Authorities and 5.7 years' output estimated as required for housebuilders to secure annual growth in completions. This suggests limited opportunity to increase volume from existing pipelines, without further planning permissions coming in to replenish stocks. This is important: longer pipelines are needed to increase output, otherwise a housebuilder's pipeline of sites and implementable planning permissions would simply be exhausted more quickly which is not compatible with business resilience in the face of the risks associated with bringing forward development, for example, the uncertainty over whether or not planning permission is granted on each site to the timelines expected. It is also equally important that those pipelines are sufficiently long to allow business to manage and employ their resources (assets, materials, and staff) in a smooth and planned manner.

3. **Increasing the number of 'outlets' – the sites from which homes are completed – is key to increasing output, with each outlet on average delivering 45 homes each year**. The largest housebuilders on average deliver 45 homes per outlet per year and all but one of the housebuilders we looked at refer to specific aspirations to grow volume, which will be reliant on them securing more implementable planning permissions through the system.

4. **The housebuilding sector will need 474 to 1,385 additional implementable planning permissions for medium to large sites (50-250+ homes) on an ongoing basis to achieve 300,000**. To bridge the gap from 243,000 net additional homes delivered in 2019/20 to 300,000 net additional homes by the mid-2020s, the planning system will need to increase the rate at which it delivers implementable planning permissions to a level that is equivalent to each of England's districts approving:

    a 4-5 additional and new medium size sites each year **or** 4-5 additional and new large size sites which will deliver over the next five or more years; **or**

    b One or two additional and new medium size sites each year or one **or** two additional and new large size sites which will deliver over the next five or more years **plus** 12 or 13 new smaller sites each year.

    This is likely to be a minimum estimate, not least because it is important that a broad mixture of different types of site – large and small – come forward in different locations, but is illustrative of what would provide sufficient uptick in planning permissions to introduce enough additional outlets delivering at an average rate to increase output at a national level. Such an outcome would need the planning system to continue to bring through its underlying rate of allocations and permissions, with these additional permissions being added on-top.

5. **The distribution and locations of those permissions needed will not be uniformly spread across the country; some areas will need to do more than others.** There are geographical imbalances in where existing permissions exist and where homes are needed, with this particularly stark in the most constrained areas of the country, including areas (such as those affected by Green Belt) where Local Plan progress has not kept pace. Furthermore, additional outlets will need to be locations where they can deliver net additionality, meaning the natural local limits to market absorption (and local competition) will need to be considered; additional permissions in already saturated areas may not deliver the pace of delivery needed to significantly boost housebuilding. To put it another way, piling up extra permissions in locations already well served by new housebuilding is unlikely to be an effective way of boosting supply and will not tackle areas where there are greatest shortfalls or most acute problems of affordability.

6. **Even if housebuilders built from their pipelines more quickly, additional permissions would still be needed**. Housebuilders in buoyant conditions may be able to increase build out rates from their existing pipelines, and this might be welcomed. However, it would still necessitate more implementable planning permissions coming through the system to both increase outlets (alongside those existing outlets delivering more quickly) as well as to top-up already short pipelines that would otherwise be exhausted more quickly. Quite simply, without adding more permissions, there is no business rationale for housebuilders to build-out from their pipelines more quickly as the risks associated with topping up their pipeline in time would not be compatible with business resilience.

Overall, and consistent with our previous findings in Taking Stock, there is a shortfall of implementable planning permissions to scale-up, and maintain, delivery consistent with the national ambition of 300,000 homes per annum. This holds true whether that delivery is on greenfield or brownfield land, or in the north or south of the country. Broadly, an increase in the numbers of implementable planning permissions approved each year is necessary compared to the baseline rate of recent years. The precise quantification of the action needed is inherently difficult to identify, because the geographical dimension to this is important; but in simple terms, any increase in housing delivery would need to run commensurate with an increase in implementable planning permissions – and the estimates in this report provide some indicator of scale associated with achieving that.

The scale of challenge – with a requirement to deliver hundreds if not thousands of additional implementable planning permission over and above the recent rate – highlights the need for the planning system to be resourced accordingly to enable LPAs to bring through these planning permissions. It will require timely plan-making in the many areas where Local Plan progress has slowed or stalled, to bring forward new housing allocations in the very near future. It may also need LPAs in some areas, where the mismatch between permissions and housing needs is greatest, to apply the planning balance accordingly and to bring forward additional permissions. This will ensure that planning is not the barrier to delivering national ambitions for boosting housing supply.

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