

MAY 2021

Taking stock

The geography of housing need, permissions and completions



LICHFIELDS



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 – explores how the pipeline of sites for housing development compares with what might be needed to meet the Government's ambitions to deliver 300,000 net additional homes per year, taking into account how delivery varies across different parts of England. This topic does not lend itself to simple analysis. It requires a reconciliation of the available data (and an acknowledgement of its real limitations) with an understanding of what often happens to development sites after they secure permission, and then – crucially – looking beyond national figures to see how the situation varies between different parts of the country. Based on our analysis, we have drawn the following conclusions:

1. **The 300,000 target means a five year planning pipeline for 1.5m homes.** To deliver 300,000 homes a year, 1.5m homes need to be built over a five-year period. In accordance with the NPPF requirement for local authorities to maintain a rolling five-year housing land supply, the number of homes with planning permission at any one time will need to be aligned with this objective, which means figures in excess of 1m should be expected. In reality, the number of homes with planning permission will need to exceed the size of the pipeline, because some permissions will be delayed, re-planned or lapse, and some will deliver homes beyond a five-year horizon;
2. **The 1.1m unbuilt permissions statistic is misleading.** Periodic analysis by the Local Government Association (LGA) has compared the annual flow of permissions since 2010 with the number of homes developed over the same period. In May 2021 this was used to suggest that 1.1m homes have planning permission but that landowners and developers are not bringing them forward. However, this is to fundamentally misinterpret the data:
 - a. First, there is a lag – typically a minimum of two years – from a permission being granted and a completion being recorded, so permissions granted in the most recent 2-3 years would not be expected to appear as completions;
 - b. Second, the number of permissions granted will include homes on larger sites that, once started, may be subject to phasing and will be built out over several years in parallel with new infrastructure;
 - c. Third, some sites are delayed while they address technical, legal and financial issues and discharge conditions;
 - d. Finally – and crucially – the 1.1m figure includes double counting because some permissions will be replacements (in whole or part, and as s.73 variation or fresh applications) for approvals granted in previous years, to reflect technical changes, re-designs, alterations in housing mix or design detail, often on sites that are already underway. Some permissions will also genuinely lapse, for example if the site is no longer viable or the land is retained for another use.

3. **There is an absence of good data on the build out of permissions.** There is no central source of information on how many consented homes await development, including information about their size, status, and location. The only national information on applications and permissions is held by organisations (such as Glenigan) which use planning data to generate construction sales leads. That information is not intended for the explicit purpose of monitoring how permissions relate to completions, and thus has limitations, but remains the best available.
4. **We identify live permissions equivalent to 1.3m homes of which 990,000 have already been built or could be expected to be built by March 2025.** As of March 2021, Glenigan data identifies a total stock of 1.3m homes with permission in the pipeline. However, this includes sites already started and thus this will include an unquantified number of homes that are already built. Previous research indicates the average time for completing sites (that is, all homes being built) from the grant of permission is four years. By netting off homes on larger sites with build out likely to extend beyond four years this leaves an estimated 990,000 dwellings that are either already built or deliverable within the next four years. By definition, this is not a perfect measure of deliverable permissions at a point in time (and is inevitably an over-estimate – potentially a significant one), but is a reasonable ‘best-fit’ basis for benchmarking how permissions compare to need in different areas.
5. **Housing permissions are not evenly spread or matched to where the planning system says they are most needed.** By comparing the 990,000 figure against annualised housing need, one can see that some regions have a significantly larger number of permissions compared to current housing targets, whereas in other areas – notably the south of England, and especially London and its surrounds (including metropolitan Green Belt) – there are not enough permissions (albeit within regions the position varies between housing market areas). Overall, nearly half of housing market areas have fewer permissions than homes needed and areas with the lowest ratio of permissions to need are generally in less affordable areas.
6. **There are regional variations in the relationship between permissions and housing completions.** There is a broad north-south trend apparent (albeit this still can mask variation within regions). This means that when assessing the number of homes in the national pipeline, we need to know where they are in order to understand whether we have sufficient permissions. If the standard method for housing need remains the benchmark for how many homes are needed and where, there is a demonstrable need for the rate of permissions granted to increase from current levels, particularly in the south of England.
7. **The rate of planning permissions needs to increase rapidly to sustain the 300,000 target.** The question of how many permissions need to be granted to achieve 300,000 homes per year is difficult. The quality of data makes it hard to understand the relationship between permissions and completions, and the situation varies between regions. It also depends on the mix of permissions (in terms of site size) and the overall size and mix of the stock of permissions that already exists. In some regions, including where housing completions exceed the assessment of need, one might draw the conclusion there are sufficient permissions; but in others there is a shortfall. We estimate – based on some different assumptions – that on a like-for-like comparison with the 1.3m total stock of live permissions currently in place (some of which are already built) we need a total stock of between 1.7m and 2.4m. At the mid point, this means that – *ceteris paribus* – around 520,000 permissions per year need to be granted in the short-to-medium term to build up a bank of permissions. If the aim is to achieve 300,000 homes a year by 2025, these permissions need to be in place by 2023. When compared with MHCLG’s most recent recorded annual flow of permissions of around 372,000, an increase of around 146,500 per annum is needed in the next 2-3 years.

8. **The flow of new planning permissions is starting to decline.** Recent data on permissions shows the steady upward trend seen between 2012 and 2018 has halted and in fact the flow of permissions has started to decline. If rates of permissions were sustained at around 372,000 per year there would be a shortfall of almost 293,000 permissions by 2023. This points to the need for an uptick in permissions in the next 1-2 years in order for these homes to be delivered by the mid-2020s.
9. **The revisions to the Standard Method for housing need will make it more difficult to boost permissions.** The Government's decision in December 2020 to concentrate housing need in areas where there are persistent barriers to development (by boosting housing numbers in the 20 largest cities which now need to plan for 35% more homes) will make it more difficult to boost permissions to the levels necessary. This is compounded by the failure of local plans and the duty to cooperate system to redistribute housing need to areas with available land.
10. **Work to digitise the planning system should include securing much better data on this issue to inform policy.** Our analysis confirms the real difficulty of working with the available data on planning permissions and homes completed. Because of its limitations – which we have not been able to completely overcome – it is easy for those seeking to understand the operation of the planning system to draw the wrong conclusions as to how the planning system impacts on housing delivery. A priority of Government, as part of its efforts towards the digitisation of the planning system, should be to provide an improved system for recording permissions, their relationship to land, and their implementation.



O1

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 year across England.

There are three parts of 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 paper;
- 2. **Assessing how the stock of permissions** relates to housebuilder pipelines, rates of build out and the the number of extra sites required to meet the government’s ambition; 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.

This report presents the output of the first part.



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O2

Research context

The '300,000 homes per year by the mid-2020s' ambition is one which first appeared in the Autumn 2017 Budget¹, and has been reiterated by the Government numerous times since, such as in the Planning for the Future White Paper² (August 2020) and the May 2021 Queen's Speech³.

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 (the most recent being in May 2021⁴), 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 built⁵. 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*".

Even once the site is ready to start (e.g. conditions have been discharged) the phasing of build out on larger sites is often a function of infrastructure delivery. Many permissions require transport infrastructure (such as a new road, school, or a railway station) to be provided by certain trigger points. In addition, there is a market absorption issue. Independent research into this has repeatedly found that a lack of diversity in the housing market, and the limited rates at which the market can absorb the homes for sale provided by individual volume housebuilders, are limiters to build out rates, as opposed to 'land hoarding' or 'land banking' by land promoters or housebuilders.

The Lyon's Housing Review⁶ (2014) noted that the volume housebuilders "...build mainly homes for sale and, by and large, only at the rate at which they are being purchased..." and went on to recommend a more diverse range of organisations participate in the market in order to achieve the volume and mix of homes needed. The Letwin Review⁷ (2018) similarly concluded the "...the homogeneity of the types and tenures of the homes on offer on these sites, and the limits on the rate at which the market will absorb such homogenous products, are the fundamental drivers of the slow rate of build out" and similarly went on to make recommendations around increasing the diversity of products on larger sites. This is not necessarily a private vs public issue though; many public sector and Registered Provider housing deliverers will similarly build out larger permissions over a number of years based on assumed sales rates to secure an appropriate financial return. Any residential developer looking to manage their business effectively – given the inherent uncertainties involved in bringing land forward for development – would expect to have a pipeline of consented land for the next 3-4 years, and indeed the longstanding requirement in policy for LPAs to demonstrate a supply of 'deliverable sites' equivalent to what is needed for the next five years is an explicit recognition of that in national policy. In addition, there is some need to manage site output to ensure construction and sales staff are employed at the optimum level and that customers have a choice of homes at any one time. The alternative scenario – in the context of the uncertainty inherent in planning and construction – would simply be one of 'feast and famine', with companies having to regularly increase and contract their staffing and supply chain.

The absorption rate is partly a function of the predominant residual land value approach to development viability, whereby the price paid for the land is based on the market value (which is shaped by competition from other new build and second hand homes) and sales pace of what can be built in accordance with the planning permission (subject to conditions/obligations determined by local planning policy) whilst maintaining a developer profit margin. The most straightforward

¹ See [here](#)

² See [here](#)

³ See background briefing notes [here](#)

⁴ See [here](#)

⁵ Examples include: "Number of unbuilt homes with planning permission hits record levels, LGA says" [The Guardian](#), January 2016; "Slow housing developers should face penalties, says LGA" [BBC](#), January 2016; "Britain has enough land to solve the housing crisis – it's just being hoarded" [The Guardian](#), January 2017; "The UK has a backlog of 423,000 new homes with planning permission waiting to be built" [The Telegraph](#), February 2018; "Land banking: Councils say 1m homes given go-ahead but not yet built" [Rural Services Network](#), February 2018; "Who owns the country? The secretive companies hoarding England's land" [The Guardian](#), April 2019; "40% of houses with planning permission not getting built" [The Construction Index](#), February 2020; and "Over 1m homes in England with planning permission not built" [The Guardian](#) May 2021.

⁶ See [here](#)

⁷ See [here](#)

way to increasing overall rates of build out in a local market is therefore to increase the number of individual outlets (or 'flags' as Letwin describes them) in the local market. Supporting direct affordable housing delivery will assist too. This can be supported by increasing the diversity of development on larger sites, and there are now strengthened policies in the NPPF (2019) that enable local planning authorities (LPAs) to support a greater mix of housing on sites⁸.

Existing Research

The topic of planning permissions and new build housing has been the subject to commentary and previous research.

The analysis produced by the LGA comparing permissions and housing output is based on two data sets:

- The annual flow of homes granted planning permissions 2010/11 – 2018/19 (MHCLG)
- The annual flow of new build housing completions from 2010/11 – 2018/19 (MHCLG).

Over that period, the rate of new permissions increased from 176,900 to 361,800, whilst for completions the increase was from 124,200 to 213,860. An aggregate of the two flows leads to 2.56m units with permission compared to 1.53m homes completed⁹. Broadly speaking, the proportional increase in both has been similar over the timeframe.

If this data is used to suggest that there are sufficient permissions to enable all of the country's housing needs to be met, the analysis has three big limitations:

1. It is based on permissions data (provided by Glenigan – a market research company – for construction lead purposes) that is not designed for the purposes of monitoring housing delivery on land with permission. By comparing the annual flow of new permissions granted over a given period with the number of net additional homes delivered, the analysis over-estimates the scale of unimplemented permissions for a number of reasons:
 - b. First, there is a lag – typically a minimum of two years – from a permission being granted and a completion being recorded¹⁰, so permissions granted in the most recent 2-3 years would not be expected to appear as completions. This is problematic if the ten-year period being compared is one where permissions in the latter part are higher than those at the beginning¹¹.
 - c. Second, the number of permissions granted will include homes on larger sites that, once started, will be built out over several years, often in parallel with new infrastructure such as access roads, new public transport facilities, and local schools. For example, if a site has detailed permission for 300 dwellings, and a build out rate of 50 per annum, it will deliver over a six-year period. Many authorities have allocated large urban extensions and new settlements (including those with support from the Government's garden communities programme) so this will be an important factor in the future.
 - d. Finally – and crucially – an aggregation of annual flow of permissions will contain double counting because many sites will have multiple permissions granted in that time. This occurs where a developer revises plans for a site, or a phase within a site, often to change the design or housing mix to respond to market demand or the requirements of the Registered Provider (for affordable housing). This can lead to multiple planning permissions (in whole or part, as s.73 or fresh applications) existing on a single site, when only one permission (or part of a permission) can actually be delivered. This will often occur on sites that are already underway.

⁸ For example, NPPF paras 61 and 72 (c)

⁹ See summary of LGA findings [here](#)

Note there are slight differences quoted in the LGA figures to those published by MHCLG and HBG. For example, MHCLG data [here](#) shows that in the 2018/19 year (i.e. to March 2019) there were 384,700 permissions. Its most recent data point is for the year to December 2019 which shows 371,800 permissions. The most recent data for the full 2019/20 monitoring year (i.e. the year to March 2020) is provided in HBF's quarterly housing pipeline report, which shows 402,185 permissions. The HBF figures do however show a fall, to 370,823 in the year to September (Q3) 2020.

¹⁰ Most planning permissions have a three year period for implementation, to include the time necessary to discharge pre-commencement conditions and address other technical issues (e.g. utilities etc) before development can start.

¹¹ Based on the LGA publication, permissions were just 173,900 in 2010/11 but increased to 371,800 in 2019/20.

In many cases, the purpose of a new or modified permission is to increase the number of homes to be built on the site to make more efficient use of land¹². Previous work by MHCLG estimated this accounts for 10-15% of permissions¹³. Glenigan only strips out duplicates from the MHCLG dataset if it occurs in the same monitoring year.

It is for these reasons that the MHCLG published Glenigan data explicitly caveats *“It is not possible to use these annual figures to estimate the total stock of units on uncompleted sites with permission.”*¹⁴

2. To assume that all planning permissions should and will be implemented is to misunderstand the reality of land and development:
 - a. Anyone can apply for planning permission (whether they control the land or not) and some do this in order to establish a land value for business or personal reasons, for example to help finance investment.
 - b. Further, developing land is not the same as manufacturing widgets. At any time there can be obstacles to implementation, for example:
 - i. The site may be in an existing use, with a lease that is yet to expire.
 - ii. The project might turn out to be unviable, perhaps due to abnormal costs that were not known at the time permission was granted.
 - iii. There might be a requirement for off-site infrastructure that the developer is unable to deliver.
 - iv. The conditions imposed on a planning permission by an LPA might turn out not to be capable of being satisfied.
 - v. It might be that the landowner has land value expectations – for example, based on a high density of development – that the permission achieved does not enable to be achieved.
 - vi. In some locations it can be difficult to find a Registered Provider that wants to take on the new affordable units.

In these cases, development may be slow to start or permission may ultimately lapse (after the typical three-year time period limit). The proportions of this may vary; MHCLG's 2015 analysis suggested it was 10-20% (excluding re-plans). In the aftermath of the credit crunch, the LGA suggested it was 60%, and Molior's analysis of London in 2012 and 2014 suggest it was around 50% (it is not clear whether LGA and Molior analysis includes re-plans).

3. Finally, the analysis of permissions is at a national level, and fails to grapple with the regional and local dimensions in the relationship between need, permissions and output. For example, a permission in Lancashire will not meet a need in Hertfordshire, whether implemented or not.

Three other reports or commentaries have considered the issue of permissions and housing output:

1. The Role of Land Pipelines in the UK Housebuilding Process¹⁵. Prepared by Chamberlain Walker Economics (CWE) for Barratt Developments PLC, the report investigated how housebuilders manage their land pipelines. CWE found that:
 - a. On sites of 20 homes or more it now takes 4.0 years on average from the granting of detailed planning permission to site completion, compared to the earlier LGA estimates of 1.7 to 3.2 years.

¹² In line with NPPF para 122

¹³ Presentation by MHCLG to the HBF Planning Conference 2015.

¹⁴ <https://opendatacommunities.org/data/planning/units-granted-permission/all-sites>

¹⁵ See [here](#)

- b. Around 1m homes with permission at any one time would be needed for 250,000 homes a year in a 'zero growth' steady state.
 - c. The analysis was not geographically segmented, but did identify that London has a 'stretched out' development pipeline because more of its permissions are on large sites and many of its permissions are granted to non-builders.
 - d. It also found that the three largest housebuilders' implementable land bank is 3.3 years' worth of output.
2. Stock and Flow: Planning permissions and output¹⁶. Prepared by Lichfields in 2017, this analysed the stock of permissions held by Glenigan to model – at a national level – the number of permissions needed to deliver 300,000 net additional homes based on some assumed timelines and the then size profile of permissions. It concluded that to achieve a long-term average of 300,000 new homes per year, a constant stock of around 0.9–1.1m dwellings in implementable planning permissions will be required.
 3. Analysis of planning permissions in London¹⁷. Prepared by Quod with Molior in 2019, this looked specifically at London and found 176,000 homes with permission in London across 604 sites. Of these, just over a third were in later phases of large developments underway. 10% were only recently granted so yet to start. 15% were subject to reserved matters approval or were being re-planned to improve design and increase densities. Just under half of the 22,000 permissioned dwellings on small sites were in active use, with businesses and jobs. 5,000 units were subject to CPO and infrastructure completion. Only 14% (just under 25,000 units) had no evidence of progress, and of these just over half were in an active existing use.

Methodology

There is a gap in the literature, principally focused on the challenges of analysing the planning permission data, and the geographical pattern of planning permissions and housing need. The existing evidence points to the difficulty of interpreting planning permissions data, but also that different parts of the country have different planning and housing market dynamics.

In this discussion paper, we use an analysis of the permissions data to estimate how many permissions might be needed in the coming years to meet the Government's ambition of delivering 300,000 homes a year by the mid-2020s based on a realistic (as opposed to idealised) understanding of what happens to planning permissions and the factors that lead to some projects stalling or being superseded.

Planning

The NPPF requires LPAs to maintain a five year supply of housing land ("5YHLS"). It states that they should identify and update annually "*deliverable sites sufficient to provide a minimum of five years' worth of housing against their housing requirement...*" (NPPF para 73) (our emphasis added). Deliverable sites are defined in the NPPF as those with detailed planning permission or those sites that are allocated or with outline permission where there is clear evidence that housing completions will begin on site within five years. LPAs are required to have an additional buffer on their 5YHLS of between 5 and 20%.

This means that, to achieve 300,000 homes a year, there is a national policy requirement for there to be – at any given time – well over 1.5m homes in the pipeline across England. Not all of this pipeline will necessarily have a detailed permission at a single point in time, but evidently, this 1.5m is far higher than the '1.1m homes in the pipeline' often quoted by commentators. Further, recognising the practical points highlighted earlier in this paper, the number of permissions needed to actually deliver 1.5m homes will be significantly more.

¹⁶ See [here](#)

¹⁷ See [here](#)

To grapple properly with understanding the relationship of planning permissions to housing need and delivery, it is important to engage with the reality of the planning system.

Since the introduction of the first NPPF in 2012 it has been for LPAs to determine how much housing should be provided for in their area by setting housing requirements (or targets) in local plans. The revised NPPF, published in 2019, saw the introduction of the 'standard method' for assessing housing needs in order to speed up plan-making and decision-taking by basing housing need¹⁸ on a fixed formula which uses household projections combined with an uplift based on the affordability ratio of that area. Following changes in December 2020, in the top 20 largest cities and urban areas, additional homes - an extra 35% - must be planned for (the expectation being that those homes are provided in the urban area rather than simply dispersed to neighbouring authorities via the duty to cooperate). It is this standard method which is intended to support the Government ambition to see 300,000 homes per year built by the mid-2020s.

Housing need informs (but does not always determine) the flow of residential planning permissions both within and outside the plan-making process. LPAs will typically fall into one of three broad categories:

1. **Areas with up-to-date local plans** – in these cases, the standard method will have informed the local plan process, and one would expect the number of sites allocated in the plan (typically equating to what is sufficient to meet the housing requirement figure, including any necessary buffer) to address housing need in that area (see Figure 1). The housing trajectory will typically include some flexibility allowance for non-implementation. The plan-making process is key in ensuring needs are met in areas subject to national constraints¹⁹, such as Green Belt, where releasing land for housing can typically only occur through the plan. The plan requirement may be:
 - a. lower than the assessed need, for example due to constraints, in which case the LPA is expected to 'export' its unmet need to a neighbouring authority in the housing market area, where the shortfall will be made up (although this does not always happen); or
 - b. higher than the assessed need, for example because the LPA is addressing the unmet need from a neighbour, or the LPA has a particular local policy objective (or has adopted a Growth Deal) which means they aim to provide more housing than the standard method indicates.

Permissions for housing may come forward on sites not allocated by the local plan, particularly in situations where the LPA can no longer demonstrate a 5YHLS, where it has failed the Housing Delivery Test, or where there are material considerations that justify a proposal contrary to the development plan. However, this is less likely in situations where the local plan is up-to-date and effective.

2. **Areas without up-to-date plans**, but relatively unconstrained by national-level designations may have the circumstances in which permissions come forward on sites that are promoted speculatively. Such areas may have no housing requirement set by the plan (e.g. the strategic housing policy is time-expired) or have a requirement which is significantly out-of-date and does not reflect current needs. In these cases, the standard method for assessing housing need forms the basis of the LPAs 5YHLS position. Where the policies most important for determining the application are out-of-date, the presumption in favour of sustainable development (the so-called 'tilted balance') applies; in theory, the intention is that this provides the basis for sufficient permissions on suitable sites to come forward to meet need.

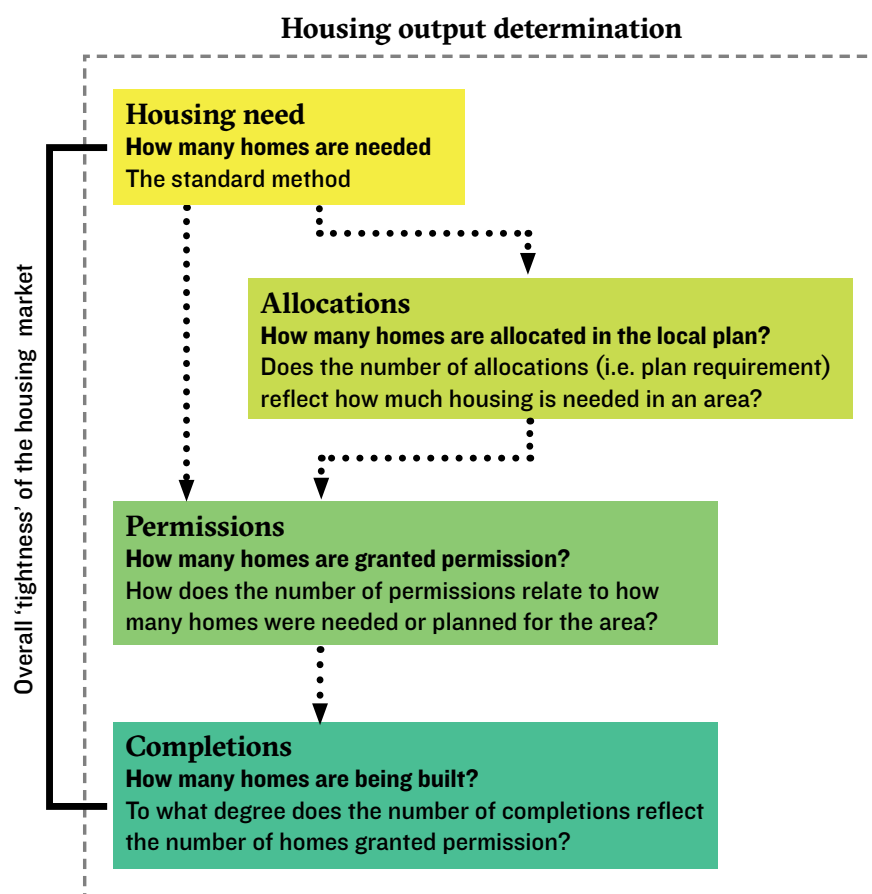
¹⁸ It is expected that authorities will plan based on the standard method unless they can demonstrate that exceptional circumstances apply, in which case they can deviate from the standard method.

¹⁹ Defined by the NPPF (para 11 b i) as where policies in the Framework protect areas or assets of particular importance provide a strong reason for restricting the overall scale of development in the plan area.

3. **Areas without up-to-date plans, but with national-level designations** (such as Green Belt) mean constraints to development make it less likely there will be enough permissions to meet need²⁰. In these cases, a lack of a 5YHLS will rarely be sufficient to trigger the presumption in favour of sustainable development for speculative applications in locations protected by the national-level designations. In these areas, need will almost certainly not be translating into permissions for development until there is a local plan in place.

In the context of the above, our research is therefore structured around the Framework shown in Figure 1, seeking to understand the relationship between permissions granted, the homes needed and the number of completions at a national, regional and housing market area (HMA) level.

Figure 1: Housing output determinants and key questions for research



²⁰ There may be some permissions for schemes which are within urban areas or are able to demonstrate very special circumstances (in the case of Green Belt) or pass other equivalent tests associated with other designations, but this will unlikely yield enough housing to meet need.

²¹ See MHCLG figures [here](#). A correction has been made for Oxford to reflect local plan adopted in 2020.

²² Duplicates in the Glenigan data often derive where a 'parent' outline permission (e.g. for 1,000 units) is then divided for construction lead purposes into the multiple housebuilders who may be building out the site (for example, a site of 1,000 homes being built out by four separate housebuilders may appear four times, each for 1,000 units).

²³ The complete database contains 2.3m units - after removing duplicates and sites not in England (Scotland, Wales, NI, Isle of Man, Channel Islands, Isles of Scilly) 1.3m unique projects remain. Projects where the 'Council area' was listed as a National Park, Development Corporation, County, London (general), merged authorities or 'Blank' were recategorized into the respective Local Authority using postcode data.

²⁴ Assuming current supply of detailed permission represents roughly four years' of supply is also broadly consistent with the assumption that development should commence within three years of permission being granted and some will be started and thus remain live. It is also broadly consistent with the NPPF requirement to maintain a five year land supply, because sites with only outline permission can be included.

²⁵ Permissions on large sites were limited to contributing 240 units to the permissions pipeline, assuming they could contribute no more than 60 dpa over a four year period, based on Lichfields research 'Start to Finish'. We do not make any deductions for units in these 'live' permissions (particularly on larger sites) that have already been completed as at March 2021.

²⁶ See MHCLG Live Table I23 [here](#)

²⁷ See MHCLG Live Table I20 [here](#)

Definitions and datasets

This research uses the following definitions/datasets:

1. **Housing need** – the number of homes the LPA is currently planning for or needs to plan for (where the local plan is out-of-date). In areas where the local plan is less than five years old (or where it is more than five years old but has been reviewed and found not to need updating) this is the current local plan requirement. This is with the exception of the top 20 cities and urban areas, where the MHCLG standard method need figure published in December 2020 is applied, regardless of when the plan was adopted²¹. For all remaining authorities the MHCLG standard method need figure is applied, on the basis that this will be used for 5YHLS/decision-taking due to the absence of an up-to-date local plan.
2. **Permissions** – sites with detailed permission (either granted or allowed on appeal) or with approved reserved matters applications as set out in data obtained from Glenigan in March 2021. There are a total of 2.3m units in this database; once scrubbed (for example, to remove duplicates)²² there are 1.3m units on just under 13,000 sites²³. Some of these are on larger sites that will build out over a longer period and some will have been granted in previous years, have been started and recording completions, but are not yet finished. However, because of how the Glenigan database works, the total number of permitted units will remain recorded, not just the residual number yet to be completed. We are also assuming – for the sake of proportionality – that Glenigan remove fully completed projects from their database promptly, although there is some evidence this may not be comprehensive, based on presence of some completed projects.

To convert a total stock figure into an annualised figure for benchmarking the scale of the pipeline against the homes needed over a given period, it is necessary to set a period over which we might expect the majority of homes built to be delivered by the existing stock of permissions (as opposed to a future flow of new consents). This is a matter of judgement, but we have concluded that a four-year period is appropriate, reinforced by the findings of the CWE Report (referred to above) that it takes at least four years, on average, from the grant of detailed planning permission to site completion²⁴. We have therefore adjusted the total 1.3m to how many might realistically be built over a four-year period, which leaves a total of 990,000 units²⁵. It should be recognised that:

- a. This figure will still include some homes already completed, because the database includes sites currently underway, so is an over-estimate of the number that could actually be built in the next four years.
- b. It will also include homes very recently granted permission and thus may be 1-2 years away from starting, hence may build out beyond the four-year period.
- c. Some new permissions will be granted in the next 1-2 years that will add to completions seen in the next four years, particularly permissions on very small sites which will turnaround quickly.

This 990,000 number should not be regarded as the total number of homes that could in reality be built from the April 2021 base-date of this analysis – it could be higher or lower – but it is a 'best fit' figure for benchmarking (and referred to throughout as 'best fit permissions').

3. **Completions** – annual net housing additions by LPA as set out by MHCLG²⁶, applying the annual average for 2017/18, 2018/19 and 2019/20. For the purposes of comparing completions with permissions we have excluded dwellings coming forward through PD; however we do account for the contribution of PD when comparing total completions to need. We do not make an explicit allowance for demolitions, but it should be recognised they have averaged 10,700 over the past ten years²⁷, so the number of homes built/converted will be greater than the number of net additions to reflect that.

Comparison of completions and permissions

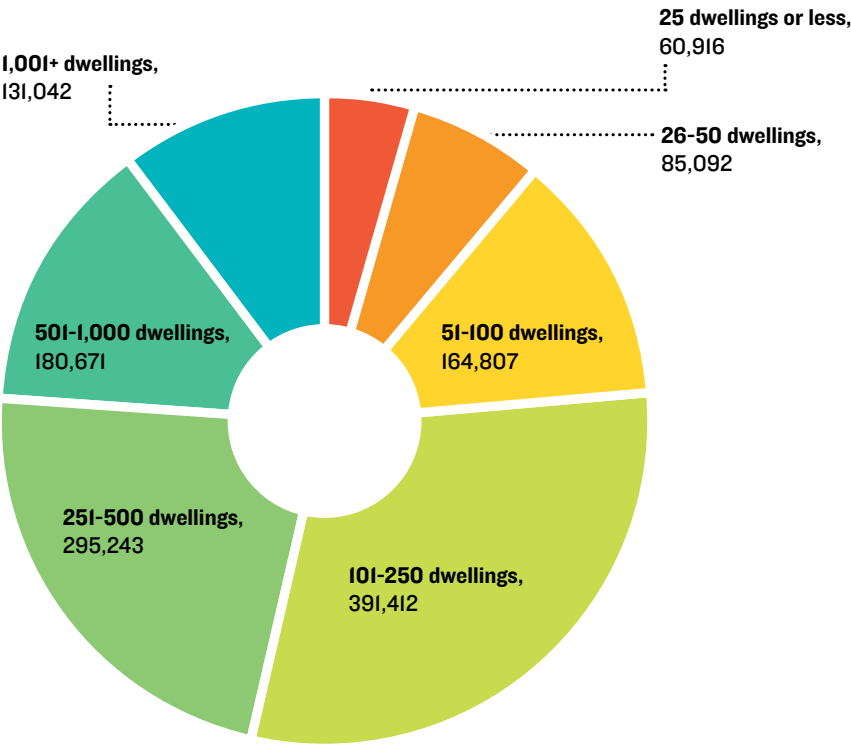
For reasons given earlier, it is difficult to make direct comparisons of the historic flow of permissions to the number of completions. However, assuming the relationship between permissions and output is broadly stable across housing market areas/regions we can still compare relative ‘tightness’ of permissions to output between areas. For the purposes of assessing future need for flow of permissions (Section 03) we consider the estimated rate at which permissions translate into completions after a two-year period, using national data (adjusted locally).

In terms of the 990,000 homes with permission that we use as a ‘best fit’ for homes to be delivered over the next four years, this is drawn from a total stock of 1.3m homes with detailed permission (this is after duplicate records are removed; without that scrubbing the total database amounts to 2.3m units). The balance – between the 990,000 and the 1.3m – is made up by units on larger schemes that will deliver beyond the four year period (based on a 60 dwelling per site average).

The size breakdown in terms of detailed permissions of the 1.3m units is shown below in Figure 2. What this reveals is that almost half of the 1.3m units with permission are on sites where their scale makes it likely they will build out over more than four years. Many of these larger projects will be ones that are already underway, and indeed, as discussed, some of the homes will have been built and occupied, but are not removed from the Glenigan database because they are part of a bigger permission that remains live.

In reaching our conclusions based on this data, it is worth highlighting that the absence of a composite robust dataset to analyse creates real barriers to a shared understanding of an issue that is clearly of public interest. The proposals to increase the digitisation of the planning system provides an opportunity to address this that should be grasped.

Figure 2: Breakdown of Detailed Planning Permissions by Site Size





03

How does the number of permissions compare to what is needed?

The national picture

The headlines show that, at a national level:

1. The number of homes **needed** amounts to just over **301,000 per year**. This is made up of 208,000 outside London and 94,000 in London. This compares with the combined housing requirements in up-to-date development plans, which is at just under **205,000 homes per year** nationally;
2. According to Glenigan, the current stock²⁸ of permissions (which, for the purposes for this assessment we have assessed as being equivalent to four years' worth of supply) is just under 990,000, or **247,500 per year** (albeit this is an over-estimate as it includes some homes already built, as previously described). This equates to 1.0% of England's housing stock per year nationally in permissions. This highlights the rate at which homes with permission might come forward if 100% of this theoretical total were implemented; and
3. **Average completions of 223,000 per year²⁹** (excluding PD) indicate that the recent annual average of completions equates to 90% of the current annualised stock of permissions and 74% of need, as shown in Table 1.

Table 1: Relationship between need, 'best fit' permissions and completions at a national level

	England	England, outside London
Need	301,285	207,706
Stock of permissions (4 year total – Glenigan)	989,455	823,566
Annualised permissions	247,364	205,892
Permissions* relative to need	82%	99%
Net completions (excluding PD)	222,571	188,793
Net completions (excluding PD) relative to permissions*	90%	92%
Net completions (excluding PD) relative to need	74%	91%
Overall completions (including PD) relative to need	78%	96%

Source: Lichfields analysis of Glenigan and MHCLG data

* Permissions data is the four-year 'best fit'. It will include homes already built and those not capable of being started within four years and thus will overestimate – potentially significantly – the number of homes that could be completed within the four-year period. By definition, the number of homes to be built would be greater than the net additional figure for need, to take account of demolitions, which average 10,700 a year since 2010/11.

The regional picture

Table 2 and Figure 3 show the relationship between need, the 'best-fit' permissions (subject to the caveats previously described) and recent annual completions at a regional level. Although the regional figures may mask specific shortfalls in local housing market areas, the analysis reveals that:

1. The North East and North West have a relatively high number of homes with permission relative to their level of housing need. However, the number of recent completions relative to the stock of permissions is the lowest of anywhere else in England (outside London), at around 85%. This means the number of homes delivered is high relative to the level of housing need as expressed by the standard method and up-to-date plans, at around 120+%;

²⁸ Based on 247,500 permissions [equivalent annual permissions from 990,000] / 24.41m dwellings as of 2019 as per MHCLG Live Table I25.

²⁹ Source: MHCLG Live Table I18 – Annual net additional dwellings and components, England for 2017/18, 2018/19 and 2019/20

2. In Yorkshire and the Humber and in the Midlands, the position is tighter. The number of homes with permission (based on the 'best-fit') is closer to housing need (around or just over 100%) and the level of housing completions relative to permissions is slightly higher than in the North East and North West, at around 90%, indicative of roughly a 10% lapse rate. As a result, housing completions are relatively closely aligned with the number of homes needed;
3. Across the East, South East and South West, the number of homes with permission (based on the 'best-fit') is lower relative to level of housing need, at around 85%. In other words, there is no 'surplus' of permissions in the south of England (even if one disregarded that the 'best-fit' figure includes homes already built). Even if 100% of the permissions were implemented (which is not possible, as it includes homes already completed) this would not be sufficient to meet need.

This is partly because of the lack of local plans; the three regions have a combined 80,000 homes per year as housing requirements in local plans, compared with around 103,000 per year needed under the standard method according to MHCLG³⁰. The proportion of completions relative to permissions is high however, at 75-85%, suggesting a modest lapse rate compared with other regions. It would be reasonable to assume that if, in these southern regions, permissions were to increase to match need, output would better align with need; and

4. In London, the proportion of permissions relative to need is the lowest of any region, partially owing to the assessed need for London being high at 93,500 per year and with the recent London Plan finding there was capacity for no more than around 50,000 homes a year. However, interestingly, the rate of completions relative to permissions in London is the lowest of any region, at 81% (compared with 92% in the rest of England). As a result, the gap between what London needs and what it delivers is the greatest of any region in England, at only 39%.

It is important to recognise that our analysis looks at the number of homes permitted without making any analysis of its deliverability. It should not be regarded as a proxy for the five year housing land supply position in any of the areas in question.

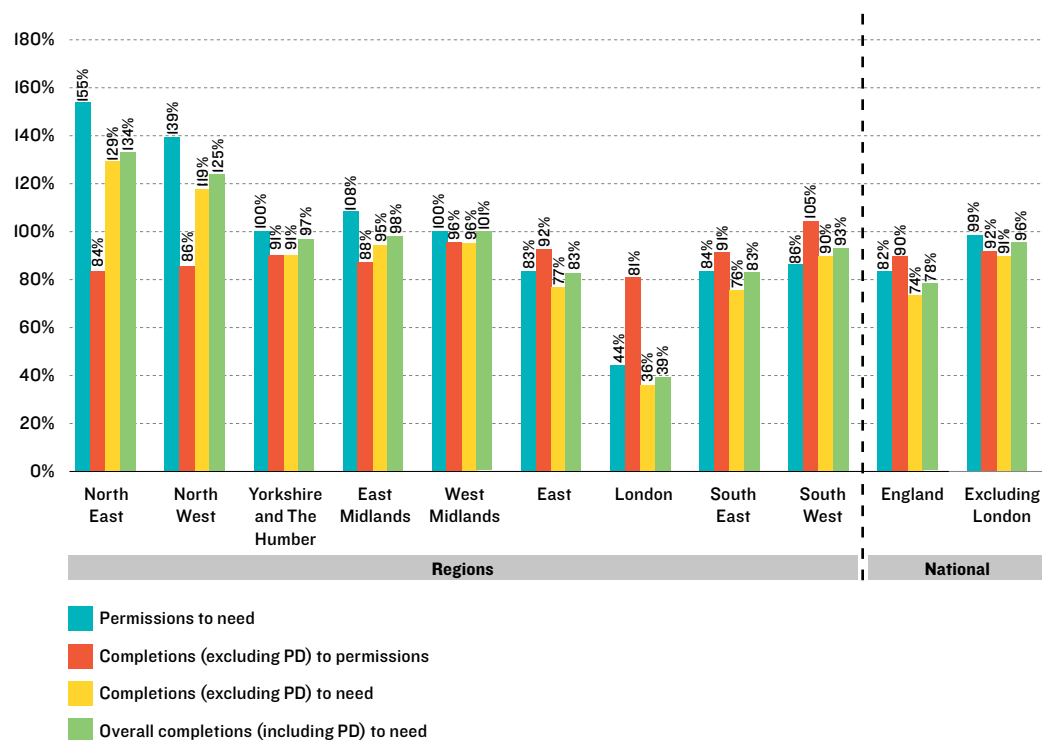
Table 2: Relationship between need, current permissions and past average completions at a national and regional level

	Homes needing to be planned for*	'Best-fit' Annual Permissions**	'Best-fit' Permissions relative to need	Completions (annual average 17/18-19/20, excluding PD)	Completions (annual average excluding PD) relative to permissions	Completions (annual average, including PD) to need
North East	7,338	11,361	155%	9,496	84%	134%
North West	23,952	33,312	139%	28,566	86%	125%
Yorks. & Humber	20,619	20,706	100%	18,776	91%	97%
East Midlands	22,890	24,788	108%	21,728	88%	98%
West Midlands	23,585	23,564	100%	22,584	96%	101%
East	32,048	26,740	83%	24,716	92%	83%
London	93,579	41,472	44%	33,778	81%	39%
South East	49,275	41,255	84%	37,665	91%	83%
South West	27,999	24,167	86%	25,262	105%	93%
England	301,285	247,364	82%	222,571	90%	78%
England (exc. London)	207,706	205,892	99%	188,793	92%	96%

³⁰ The combined numbers of homes needed for the purposes of this analysis if 109,322 which is higher than either the plan requirements or the MHCLG figure because some areas with up-to-date local plans contain requirements which exceed MHCLG's assessment of need, for example Oxfordshire.

Source: Lichfields analysis of MHCLG data, local plans and Glenigan. *Based on local plan requirements or the standard method, depending on local plan age/status. **Total number of Glenigan permissions assumed deliverable within four years (989,455 nationally), annualised, but recognising that this includes homes on live permissions already built.

Figure 3: Relationship between housing need, permissions and completions by region



Source: Lichfields analysis of MHCLG data, local plans and Glenigan

The Housing market area picture

Figure 4 shows the same relationships as shown above (between amount of homes needed, completions and permissions) at a housing market area level³¹. It mirrors the regional findings, that:

1. With the exception of a few areas, the relationship between permissions and need follows a broad north-south trend. Permissions are lowest relative to the amount of homes needed in London and the wider south of England, particularly in Hertfordshire, Kent and East Sussex;
2. The relationship between completions and permissions is less varied although still reflecting the broad north-south regional trend shown above in Figure 3; and
3. Overall, this leads to a north-south trend in the amount of completions relative to the amount of homes needed.

Of the 107 HMAs in England, nearly half - 51 - have fewer homes with permission for housing (based on the 'best-fit') than the number of homes needed. This means that, even if all the 'best-fit' permissions were implemented from April 2021 (which is not possible, as some are already completed), the local housing need in those areas would not be met. Insofar as there might be 'extra' homes with planning permission in other HMAs, those permissions - even if implemented - would not meet need in those under-supplied HMAs.

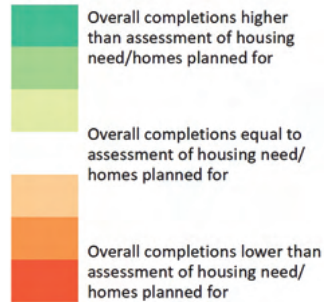
Two-thirds of HMAs with a shortage of permissions (including London, as a single HMA) are in the south of England³² and over 80% have a median workplace affordability ratio that is higher than 7.0. This tends to suggest that the areas with the greatest shortfall in permissions are the areas where housing need pressures are greatest.

³¹ Housing Market Areas are geographical areas defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. For the purposes of the analysis in this paper, the HMAs are those used for local plan purposes under the 2012 NPPF which required needs to be met within each HMA (no such requirement exists in the NPPF 2018/19). The majority of HMAs are groups of LPAs and these areas have typically formed the basis for duty to cooperate discussions in terms of meeting housing need. Some LPAs have declared themselves to be their own HMA.

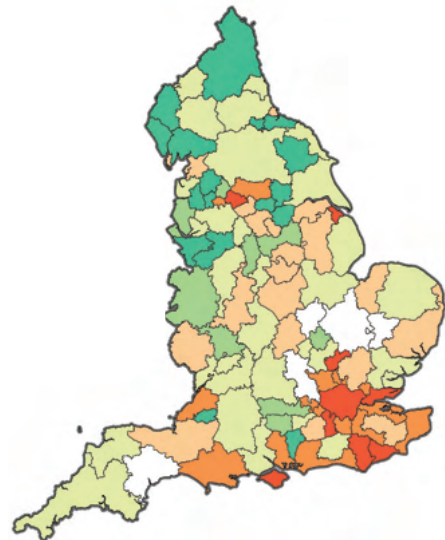
³² Either the East (9 HMAs), South East (17 HMAs) or South West (7 HMAs), plus London = 34 out of 51.

Figure 4 Relationship between housing need, permissions and completions by - Housing Market Areas

Overall completions relative to housing need or number of homes planned for by HMA



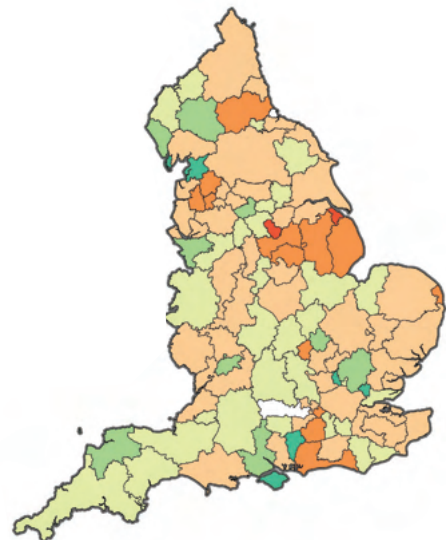
Source: Lichfields analysis, Glenigan, MHCLG



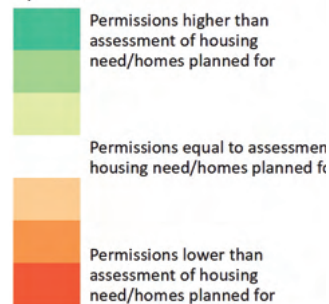
Completions (excluding PD) relative to permissions by HMA



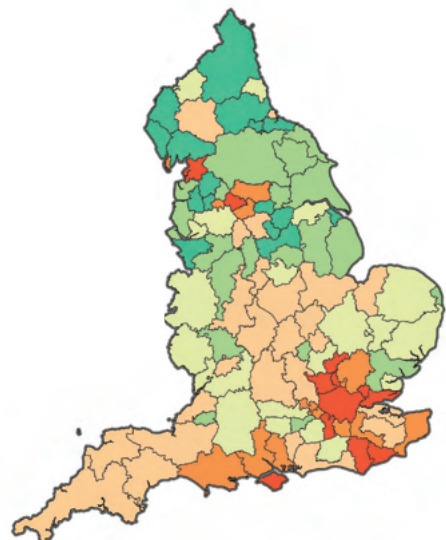
Source: Lichfields analysis, MHCLG



Permissions relative to housing need or number of homes planned for by HMA



Source: Lichfields analysis, Glenigan data





04

The future – delivering 300,000 homes a year

The Government has made clear its objective to achieve 300,000 homes per year by the mid-2020s. Around 13,500 homes a year are currently delivered through PD and if we assume this increases in the coming years (by, say, 50%, as result of recent expansion of PD rights) this would imply around **281,000 completions or conversions per year** are needed outside of PD to meet current of housing need (this is without taking into account demolitions, which average 10,700 since 2010/11, so the number of completions is logically higher still than this). The regional breakdown of this is shown in Table 3.

Table 3: Annual completions required (by region), excluding PD, to meet number of homes needed

	Annual homes needing to be planned for*	Assumed future contribution from PD**	Annual completions required (outside PD) to meet need
North East	7,338	479	6,860
North West	23,952	1,917	22,035
Yorkshire and Humber	20,619	1,731	18,889
East Midlands	22,890	1,089	21,801
West Midlands	23,585	1,790	21,795
East	32,048	2,954	29,094
London	93,579	4,363	89,216
South East	49,275	4,505	44,770
South West	27,999	1,281	26,719
England	301,285	20,108	281,177
Excluding London	207,706	15,745	191,961

Source: Lichfields analysis of MHCLG data, local plans and Glenigan. *Based on local plan requirements or the standard method, depending on local plan age/status. **Based on MHCLG Live Table I23 – Housing Supply: Net Additional dwellings by local authority district - aggregate of LPA PD contributions on average over 3 years to 2019/20, plus 50%.

MHCLG data³³ records the flow of homes granted planning permission each year, based on Glenigan information (albeit MHCLG data should not be seen as directly comparable with the stock of permissions data held by Glenigan for reasons described earlier in this paper). It shows an overall increase in the flow of homes granted permissions over the last c.10 years, since the financial crisis (albeit with some very recent downturns, which we consider later in this research). The HBF reports similar data in its quarterly returns; the flow of permissions in 2019/20 has been in the order of 370,000 units; this is an increase from 314,000 in 2016/17.

However, the annual flow of permissions needed to sustain a given level of housing output is not an exact science. This is because the number of homes built in any one year will be made up of permissions granted in a number of different years, based on the size of the project. For example, some of the homes built in 2019/20 will have been granted permission many years ago, but have built out over time. In any given year, the flow of new permissions granted will include a mix of small and large projects, with the latter contributing their housing output beyond the four year period.³⁴ Further, in a period during which the flow rate of permissions granted increases (with a mix of small and large projects), it establishes a larger stock of homes approved, some of which will then deliver over the longer term, which means that, in future, a lower flow rate of permissions is needed to sustain a 'steady state' build rate than when output is increasing.

So, establishing the annual flow of permissions necessary to achieve 300,000 homes per year is very sensitive to several factors:

³³ Available [here](#)

³⁴ The period identified by CWE as the average from the grant of detailed permission to site completion.

1. The size profile of schemes granted permission in each year (and their assumed lead-in time³⁵ and rate of build out);
2. The profile of schemes within the total stock of permission (which is a product of previous flows of permissions and completions);
3. How quickly it is intended to get to 300,000 homes per year. The shorter the timeframe, the more rapid the increase needed, hence the greater the size of the annual flow needs to be;
4. The rate of 're-plans' within each year's flow of permissions;
5. Lapse rates; and
6. Where the homes are needed, given the potential for factors 1-5 above varying between regions.

Any of the above factors may vary from year to year, and there is insufficient historical data to enable previous permissions to be tracked through to completions. In trying to draw conclusions on what should be the future flow in order to achieve 300,000 homes per year by the mid-2020s, there will be no 'correct' answer, merely indicative estimates. This explains why previous assessments have arrived at different conclusions.

What follows is an attempt to provide an indication of what the flow of permissions might need to be to achieve 300,000 homes per year by the mid 2020s. We do this using two approaches, both of which take account of regional variations in the relationships between need, permissions and completions:

1. A simple annual flow figure based on the completions as a percentage of flow of permissions two years earlier; and
2. The flow of new permissions that would be needed to build a like-for-like total stock of permissions (comparable to the 1.3m that we have identified in our analysis) sufficient to deliver 300,000 homes per year over a four year period (i.e. to achieve a total of 1.2m compared to the 990,000 we assess from the current stock).

Neither of these two approaches should be regarded as a definitive measure, but as indicative.

A simple annual flow figure

Analysis of the annual flow of permissions shows that, at the national level, over a two-year lag period, the long term average rate at which this flow of permissions translate into completions is 72%, i.e. if 100,000 units are granted permission in year 0, by year 2 we would expect 72%, or 72,000 units to be delivered³⁶. However, we know from Section 2.0 that there are regional variations in the relationship between completions and permissions. The gap between permissions granted and homes completed has been considered on a number of occasions. Analysis of comparable Glenigan data undertaken by MHCLG in 2015³⁷ concluded that there was a gap of 30-40% between the number of permissions given for housing and starts on site within a year, with 10-20% not materialising into a start and lapsing³⁸ and 15-20% being re-planned.

The concept of a lapse rate on permissions is well established, notably with reference to a buffer in housing land supply calculations and in the 1995 DOE research on the topic.³⁹ The fact that on top of this, a good proportion (i.e. 15-20%) of permissions are superseded by fresh permissions is less widely recognised, but it is crucial to the correct interpretation of why the flow of annual permissions as recorded by Glenigan (and reported by MHCLG and HBF) at 300-400,000 in recent years, runs ahead of housing completions. In simple terms, many of the permissions granted each year are on sites that already have permission and simply supersede some or all of the homes granted permission previously (and thus represent double-counting), often in order to increase housing density and output, and thereby make more efficient use of land in line with policy.

³⁵ With larger schemes typically having a longer lead-in time than smaller projects, even at detailed permission stage. LGA work cited by CWE concluded it took 1.7 years to start on site post-permission whereas this was 3.2 years for schemes of 100+ units.

³⁶ Based on permissions for the period 2006/07 to 2017/18 and completions for the period 2008/09 to 2019/20. 2006/07 is the earliest year for which MHCLG annual permissions data is available.

³⁷ Presentation by MHCLG to the HBF Planning Conference 2015.

³⁸ For reasons explained by MHCLG being: landowners not releasing sites; funding/legal obstacles; and viability/infrastructure challenges; and supply chain constraints hindering a start.

³⁹ Housing Land Availability DOE, Planning and Research Programme Paper, 1995

London presents a further factor to consider in interpreting the data. Because many of sites are urban, there is greater use of full (as opposed to outline) planning applications to establish the acceptability of development (and test crucial matters of scale, massing and mix of uses for example taking into account sunlight-daylight issues). These full permissions appear in the MHCLG/Glenigan data, whereas outline permissions do not. Having established the principle of development – often by an investor/landowner – schemes are then subject to a re-plan to bring forward a scheme that then reflects what the residential developer/house builder is looking to build. Outside London, this design evolution process is more likely to occur between outline and full stage (and thus only one full permission appears in the data), but in London it is more likely to result in two full permissions – again leading to double-counting or duplication.

Based on the relationship between completions and permissions and how this varies by region to the national average (as shown above in Table 2), we have adjusted the national average (of 71.7%) to estimate the rate at which the flow of permissions would translate into completions over a two year period at the regional level. This is then used to assess the number of permissions that would be required to deliver one years' worth of need (as expressed in net additions⁴⁰), as shown in Table 4 below.

Table 4: Implied permissions required to deliver annual completions required by region

	Annual completions required *	National rate at which permissions translate into completions after 2 years**	Estimated local rate for permissions to completions***	Implied permissions required (annual)
North East	6,860		66.6%	10,299
North West	22,035		68.3%	32,245
Yorkshire and Humber	18,889		72.3%	26,138
East Midlands	21,801		69.9%	31,210
West Midlands	21,795	71.7%	76.4%	28,538
East	29,094		73.7%	39,498
London	89,216		64.9%	137,460
South East	44,770		72.8%	61,536
South West	26,719		83.3%	32,075
England	281,177	~	~	399,000
Excluding London	191,961	~	~	261,540

Source: Lichfields analysis. *Excluding assumed future contribution from PD, as shown in Table 3. ** We have assessed the rate at which permissions translate into completions over two years given the relatively short timescales left until the 'mid-2020s' when the Government is seeking to have 300,000 homes per year built. Whilst some homes permitted now will inevitably be delivered over longer timeframes (increasing the rate of translation of permissions to completions to above 72%), a significant step-change is needed quickly to increase housing output in the short term, hence an assumption of two years is used. ***Based on Table 2 'Completions to permissions' for each region, relative to the national average, applied to 71.7%.

The annual figure of 399,000 permissions is similar to the number of permissions granted in most recent year⁴¹. Setting aside the impact of the pandemic, we do not know what output we would expect to see from that more recent elevated rate of permissions. However, three points arise in terms of the modelled figure of 399,000:

1. It is based on an assumption that the contribution to housing delivery from PD increases from current rates. If PD was static or fell, the number of permissions needed would be greater.
2. It is based on what is needed to match the distribution of the 300,000 figure in the standard method (and up-to-date adopted local plans). We do not know the regional distribution of the recent flow of permissions. It could be that these are adding to the stock of permissions in some locations and/or reflecting an increased rate of re-plans.

3. The most recent years of permissions will be building upon a period where there has been a greater number of local plans adopted. It may be that this is resulting in larger permissions on allocated sites with build out over a longer period which will inevitably reduce the 71.7% ratio in forthcoming years.

One way to look at this flow figure is to compare the implied flow of permissions needed to match the distribution of the 300,000 need figure with the implied flow of permissions which have delivered recent rates of completions. This is shown in Table 5 below.

Table 5: Implied change in flow of permissions to match need compared to recent completions

	Recent completions (excluding PD)	Implied flow of permissions to deliver recent rate of completions*	Need (excluding PD)	Permissions required to meet need	Implied change in rate of permissions to match need figure
North East	9,496	14,257	6,860	10,299	-3,958
North West	28,566	41,803	22,035	32,245	-9,558
Yorkshire and Humber	18,776	25,983	18,889	26,138	155
East Midlands	21,728	31,106	21,801	31,210	105
West Midlands	22,584	29,571	21,795	28,538	-1,033
East	24,716	33,555	29,094	39,498	5,943
London	33,778	52,043	89,216	137,460	85,417
South East	37,665	51,770	44,770	61,536	9,766
South West	25,262	30,327	26,719	32,075	1,748
England	222,571	310,414	281,177	399,000	88,586
Excluding London	188,793	258,371	191,961	261,540	3,169

Source: Lichfields analysis. *Based on relationship between completions (exc. PD) and permissions by region over a 2 year period as shown in Table 4 above.

All things being equal, in areas where the standard method figure is lower than recent completions, this inevitably assumes a reduced rate of permissions are needed. But in the combined London and the South of England, an increase of 102,900 permissions would be needed each year compared to the rate implied by most recent completions. However, this simple annual flow analysis does not consider the current stock of permissions and how we transition from the current position.

It is also worth noting that this is based on the current Standard Method as determined by Government; should Government wish to adjust the method (or supplement it with other policy measures) in order to better achieve 'levelling-up' and boost housing need in the midlands and north then the relationship between need, permissions and completions would change.

The overall stock of permissions needed

A 'best-case' scenario at the national level

Another way to look at the potential requirement would be to draw on the analysis of the stock of permissions previously identified as potentially deliverable over a four year period (the 990,000 out of a stock of 1.3m), i.e.:

1. How many planning permissions were granted in the preceding four year period to achieve that stock of permissions equivalent to 990,000 (equivalent to 247,500 permissions per year over the next four years)?⁴²
2. And, if that relationship remained the same, how many would be needed to achieve the 281,200 per year identified above?

⁴⁰ And thus assuming the ratio of demolitions of existing stock moves in proportion to completions.

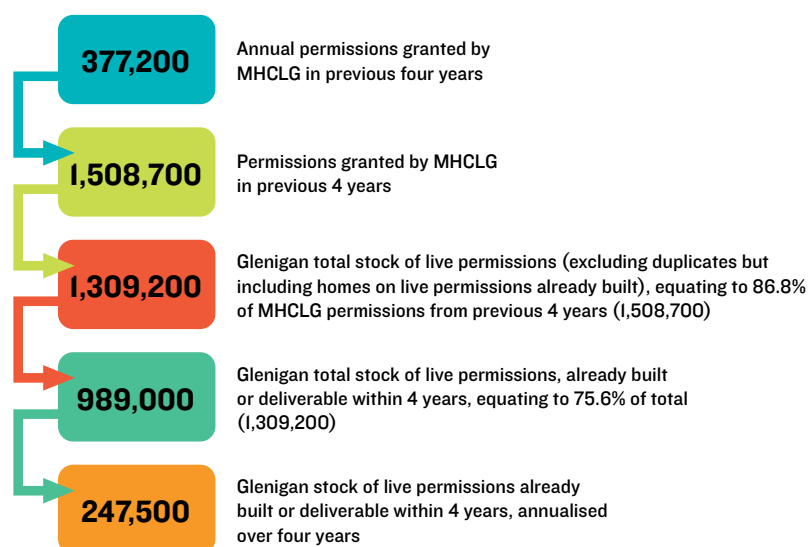
⁴¹ MHCLG data shows that in the 2018/19 year (i.e. to March 2019) there were 384,700 permissions. Its most recent data point is for the year to December 2019 which shows 371,800 permissions. The most recent data for the full 2019/20 monitoring year (i.e. the year to March 2020) is provided in HBF's quarterly housing pipeline report, which shows 402,185 permissions, albeit this data is not consistent with MHCLG figures. The HBF figures do however show a fall, to 370,823 in the year to September (Q3) 2020.

⁴² Recognising that the 990,000 is subject to the caveats identified previously.

In the four years to 2019/20, according to MHCLG, the flow of permissions was 313,700, 380,400, 384,700 and 371,800, implying a total of 1.45m⁴³. Data is not available for 2020/21, but if we assume it was maintained at the level of the previous year (in reality, it probably fell slightly due to the Covid-19 pandemic), this would equate to 1.51m permissions granted over four years (an average of 377,200 per year), as shown in Figure 5.

The snapshot of permissions – according to Glenigan data – at end of March 2021 is 1.31m (i.e. it represents 86.8% of the permissions granted in the previous four years by MHCLG), with a four year deliverable figure of 990,000 (i.e. 75.6% of all units in the database). This stock of 990,000 permissions equates to 247,500 over four years, as shown below.

Figure 5: Current relationship between Glenigan stock of permissions and MHCLG flows of permissions – national level



Source: Lichfields analysis

Under an absolute 'best-case' scenario, planning permissions would translate into completions for every unit in the pipeline (for the reasons set out in this report, this does not occur in reality, but we have presented it here as the best possible outcome). Working backwards from a need for 281,200 homes per year (the number of homes needed, outside of PD, to deliver 300,000 homes) would suggest the need for a Glenigan stock of permissions, deliverable within four years, of 1.12m (albeit we know that a proportion of homes in any permissions stock figure have already been built – in other words, the current stock of permissions is an over-estimate and therefore the future stock figure an under-estimate).

We estimated that 75.6% of all units in Glenigan's database are deliverable within four years, which would imply a total Glenigan stock of 1.49m units. We know that the total Glenigan stock at a given point in time equates to 86.8% of MHCLG permissions granted in the prior four years, implying that – at the very least – 1.71m permissions need to be granted over a four year period, according to MHCLG, as shown in Table 6. This implies 428,500 permissions per year according to MHCLG over a four year period as shown in Table 6.

⁴³ As previously noted, MHCLG latest figures only cover the period up to the Year Ending December 2019; for the purposes of this assessment we have applied the figure for the YE December 2019 (371,800) as the figure for the year to 2019/20 (which is actually the year to March 2020). This is to avoid 'mixing and matching' between different datasets given there are known discrepancies between the figures published by MHCLG, LGA and HBF.

Table 6: Relationship between Glenigan annualised stock, total stock and MHCLG - current and potential needed

	Current	Future
Glenigan stock of permissions, annualised	247,500	281,200
Glenigan stock of permissions, total deliverable in four years	989,000	1,124,700
Glenigan four year deliverable as a % of total	75.6%	75.6%
Glenigan total stock	1,309,200	1,488,300
Glenigan total relative to permissions granted by MHCLG in previous four years	86.8%	86.8%
Permissions granted by MHCLG over four years	1,508,700	1,714,000
Annual permissions granted by MHCLG over four years	377,200*	428,500

Source: Lichfields analysis. Figures rounded to nearest hundred. *As MHCLG data is not yet available for the 2020/21 year, we have assumed that permissions in the 2020/21 year remain constant from the last data point.

A realistic outcome based on regional variation

However, we know there is regional variation between where housing need is, where permissions are granted and where homes are delivered. Equally, a rapid step-change is needed in the short term in order for 300,000 homes a year to be delivered by the mid-2020s and therefore there is a need to take into account how quickly permissions translate into completions (and where). Our analysis, as set out in Table 4 above, shows that to deliver 300,000 homes per year, permission for 399,000 homes a year is needed.

At a regional level, we have estimated (above in Table 4) how many permissions are required to meet need. From this, we can estimate the annual flow of permissions according to MHCLG data that would be needed to meet this; this relationship is shown in Figure 6 below.

Figure 6: Method for assessing annual MHCLG flows needed to create enough permissions to meet need – applied regionally



Source: Lichfields

Once calculated at a regional level and aggregated, Table 7 shows that an estimated 608,000 permissions per year (according to MHCLG data) might be needed in order to deliver 300,000 homes a year. This assumes that current trends (around re-plans, lapses, delays, etc, including the regional variations) continue. A third of these permissions would need to be in London. However, with there currently being no mechanism in place for London's unmet housing need to be redistributed to the wider south east, it is likely this need (and these permissions) will continue to fall between the gaps.

Table 7: Estimated stock and annual flow of permissions needed by region to achieve 300,000 homes per year

	Implied permissions required	Implied permissions required over four years	Total stock needed (to ensure four year supply plus longer-term supply, Glenigan)	Number of permissions to be granted in four years prior (MHCLG)	Annual flows needed (MHCLG, over four year period)
North East	10,299	41,195	54,507	62,814	15,703
North West	32,245	128,981	170,659	196,667	49,167
Yorkshire and Humber	26,138	104,553	138,338	159,421	39,855
East Midlands	31,210	124,840	165,181	190,354	47,588
West Midlands	28,538	114,151	151,038	174,056	43,514
East	39,498	157,994	209,047	240,906	60,226
London	137,460	549,839	727,512	838,383	209,596
South East	61,536	246,144	325,682	375,315	93,829
South West	32,075	128,300	169,758	195,629	48,907
England	399,000	1,595,998	2,111,722	2,433,544	608,386
Excluding London	261,540	1,046,159	1,384,210	1,595,161	398,790
Current	~	990,000	1.31m	1.51m	377,200

Source: Lichfields analysis

This total appears high, but it should be noted that:

1. There is clear regional variation in the amount of homes delivered relative to permissions and it is important that the total number of permissions reflects this variation. London alone accounts for one-third of the stock of permissions needed, partly owing to the lower rate at which permissions translate into completions (compared with the national average) and partly as its need represents one-third of the national total;
2. The stock of permissions at any given time will translate into homes not just within the near future (i.e. within four years) but over the longer term too – for example, current Glenigan data suggests 300,000+ (i.e. one quarter of all homes in the stock of permissions) which will likely be delivered beyond four years;
3. Once a 300,000 per year rate of housing completions is reached, the flow of new permissions needed to 'top up' this stock could reduce, perhaps back towards the 400,000-430,000 per year level, albeit this would depend on the size mix of permissions in any given year; and
4. As described above, not all permissions which exist at a given point in time will translate into completions – some permissions will simply go unimplemented (the typical 10-20% lapse rate) whilst other permissions will be superseded by a new permission, for example where schemes are revised. In this regard, the total number of permissions granted does not represent unique units or sites.

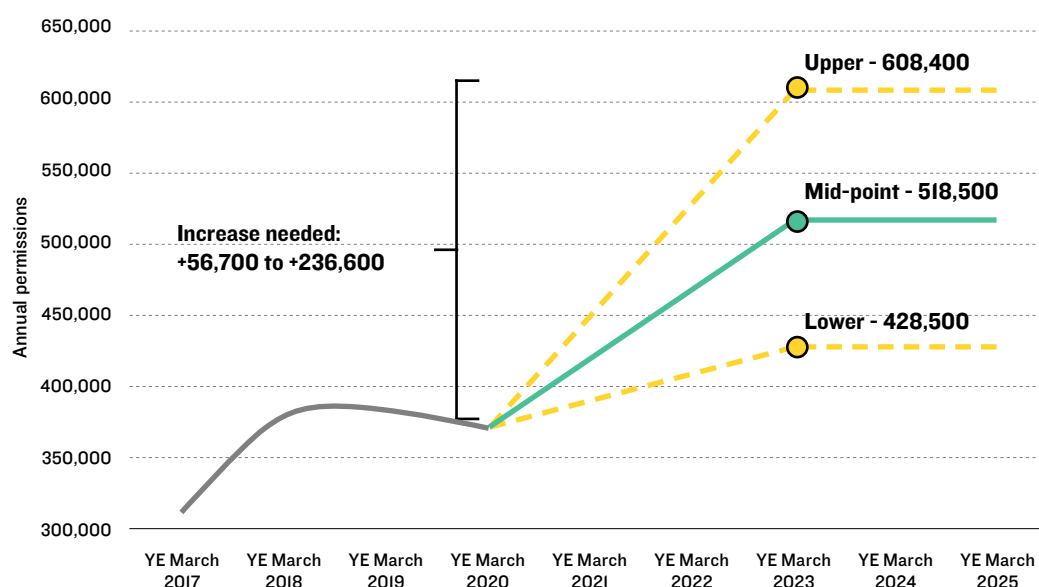
The future

The quality of data and understanding of the direct relationship between the flow and stock of permissions and future completions means there are a wide range of potential outcomes, and one should be cautious about settling on a specific figure. However, it appears unrealistic to expect 300,000 homes a year to be delivered by the mid-2020s based on the current rate of permissions.

An increase will be required, and the mid-point of our range between our lower (428,500) and upper (608,400) is just under 520,000 per year, with a total stock of around 2.1m units with permission (according to Glenigan figures). Further, if the Government's ambition to achieve 300,000 homes per year by the mid 2020s (assumed to be no later than 2027) is to be achieved then, given the assumed gap of two years from granted of permission to recorded completion, this means the increase in permissions is needed immediately, and by 2023.

Even at the lowest scenario, the rate of permissions would need to increase by 15% and the mid-point requires a 40% increase. The upper end of the range would imply a 64% increase. This is a stark rise – to be achieved in a short period of time – as shown in Figure 7.

Figure 7: Increase needed in annual permissions to meet requirement by 2025



Source: Lichfields analysis, MHCLG. For YE March 2020, figure for YE December 2019 has been applied as this is the most recent figure available from MHCLG.

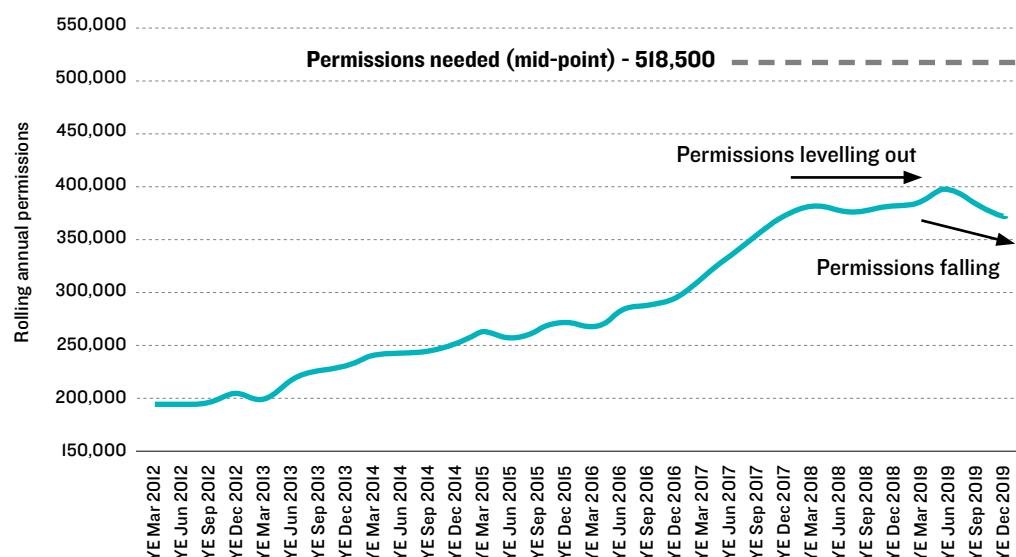
The impact of falling permissions

The last year has seen unprecedented change as a result of Covid-19 with impacts felt across all sectors of the economy including the planning sector. During the early days of lockdown in 2020 councils grappled with how to keep decision-taking going in light of restrictions and amongst potentially lower staff levels as a result of redeployment to other essential departments.

Prior to this, the number of permissions had been steadily climbing; as shown in Figure 8, permissions rose from around 260,000 in 2015 to around 380,000 by 2018, they have slipped to 371,000, a rate that is supported by both the MHCLG data to end of 2019 and more recent quarterly HBF/Glenigan monitoring for the quarter to September 2020.

If permissions were to be sustained at 372,000 per year then over the next three years the total shortfall in permissions needed to deliver 300,000 homes per year would amount to 292,800 (assuming the mid-point requirement for 518,500 per year needs to be reached by March 2023).

Figure 6: Increase needed in annual permissions to meet requirement by 2025



Source: Lichfields analysis of MHCLG

Implications

It is outside the scope of this paper to make recommendations about the direction of planning policy, but the following observations can be made:

1. Across many parts of the north and some parts of the midlands, overall housing output matches levels of housing need as defined by the Government's standard method (albeit there is still likely to be variation within regions). There also appears to be a relatively greater number of live permissions in the north compared to the south of England. It is outside the scope of our analysis to assess the deliverability of these permissions or whether individual LPAs in regions with a high number of live permissions can maintain a five year land supply, but on paper at least, need in these regions would generally be provided for at the current run rate. The question for the planning system is whether – in light of the rate of completions and number of permissions – the standard method is an accurate reflection of the number of homes these areas can and should provide.
2. In the south of England as a whole and in some parts of the midlands and pockets of the north, completions are not matching the level of housing need defined by the planning system. There are also, comparatively, fewer homes with live planning permission in these areas. In some regions, the 'best-fit' four year stock of permissions is below the number of homes needed over that period. The answer to increasing supply in these locations is increasing the number of permissions, in some cases significantly. Based on where the gaps exist, these areas are ones facing policy and other constraints to development.

3. A significant proportion of the permissions required – one-third of those needed nationally – are in London. Therefore, outcomes in London will play a significant role in determining national objectives. But with an identified capacity (as per the London Plan) which is only around half of its need (according to MHCLG) the issue of London's need is one which will require addressing if 300,000 homes a year are to be delivered nationally. Further, because we know the next London Plan is not due for five years, the achievement of 300,000 by the middle of this decade will be reached by areas outside London exceeding their Standard Method figure. If not addressed, those needs will simply go unmet and 300,000 homes a year will not be delivered.

The timing of this is important. To deliver homes in 2025, permissions need to be in place by 2023. This means planning applications being submitted over the next two years. There are challenges for this in areas without up-to-date local plans, particularly in tightly constrained urban areas (especially those which have experienced the 35% uplift in the standard method and are under pressure to meet those needs in their own boundaries) and in locations constrained by Green Belt. To achieve 300,000 homes per year it will be necessary to make adjustments to planning policy such that planning applications for housing are encouraged in locations with a shortage of permissions, and in locations where there are realistic prospects of securing housing delivery. This will mean areas outside London exceeding their Standard Method figure, and being encouraged to do so, quickly. In the medium to long term, it will be necessary for the plan-led system to secure a stable basis for new homes to come forward in the areas where they are needed.



05 Conclusions

The Government maintains its ambition to see 300,000 homes per year delivered by the mid-2020s and has set the current standard method for assessing housing need to broadly align with that ambition. It is a trite but accurate observation that, for 300,000 net additional homes to be delivered each year, some form of planning permission will be needed for them. It is also true to say that one needs to reflect carefully on national planning permission data to reflect that, whilst the 300,000 ambition is national, the practical planning and implementation of them happens locally, and the dynamics of planning and development vary significantly across the country.

For the Government to achieve 300,000 net additions, it is vital that there are enough permissions in the pipeline – in the right places – over the next few years to deliver at this level, reflecting the spatial variations in housing output seen across the country. Our analysis has also shown a number of interesting spatial trends relating to housing output with a number of implications looking ahead for delivering 300,000 homes per year:

1. To deliver 300,000 homes a year, 1.5m homes need to be built over a five-year period. In accordance with the NPPF requirement for local authorities to maintain a rolling five-year housing land supply, the number of homes with planning permission at any one time will need to be aligned with this objective, which means figures in excess of 1m should be expected. In reality, the number of homes with planning permission will need to exceed the size of the pipeline, because some permissions will be delayed, re-planned or lapse, and some will deliver homes beyond a five-year horizon.
2. Periodic analysis by the LGA has compared annual flow of permissions since 2010 with the number of homes developed over the same period. In May 2021 this was used to suggest 1.1m homes have planning permission but the landowners and developers are not bringing them forward. However, this is to fundamentally misinterpret the data:
 - a. First, there is a minimum lag of two years from a permission being granted and a completion being recorded, so we would not expect permissions granted in the most recent 2-3 years to appear as completions;
 - b. Second, the number of permissions granted will include homes on larger sites that may be subject to phasing and once started will be built out over several years in parallel with new infrastructure;
 - c. Third, some sites are delayed while they address technical, legal and financial issues and while they discharge conditions;
 - d. Finally - and crucially - the 1.1m figure has double counting because some permissions will be replacements (in whole, or part and as s.73 or fresh applications) for approvals granted in previous years, to reflect technical changes, re-designs, alterations in housing mix or design detail, often on sites that are already underway. Some permissions will also genuinely lapse, for example is the site is no longer viable or the land is retained for another use.
3. As of March 2021 Glenigan data identifies a stock 1.3m homes with detailed planning permission in the pipeline. However, this includes sites already started and thus this will include an unquantified number of homes that are already built. Previous research indicates the average time for completing sites from the grant of detailed permission is four years. By netting off homes on larger sites with build out likely to extend beyond four years even if completions began in year one, this leaves an estimated 990,000 dwellings that are either already built or deliverable within the next four years. By definition, this is not a perfect measure of deliverable permissions at a point in time (and is inevitably an over-estimate – potentially a significant one), but is a reasonable ‘best fit’ basis for benchmarking how permissions compare to need in different areas.

4. Housing permissions are not evenly spread or matched to where the planning system says they are most needed. By comparing the 990,000 figure against annualised housing need, one can see that some regions have a significantly larger number of permissions compared to current housing targets (albeit the position does vary within regions), whereas in other areas – notably the south of England, and especially London and its surrounds – there are not enough permissions. Most areas with the lowest ratio of permissions to need are in the least affordable areas.
5. There are regional variations in the relationship between permissions and housing completions, with a broad north-south trend apparent (albeit this still masks variation within regions). This means that when assessing the number of homes in the national pipeline, we need to know where they are in order to understand whether we have sufficient permissions. If the standard method for housing need remains the benchmark for how many homes are needed and where, there is a demonstrable need for the rate of permissions granted to increase from current levels, particularly in the south of England.
6. The question of how many permissions need to be granted to achieve 300,000 homes per year is difficult. The issues with the data makes it hard to understand the relationship between permissions and completions, and the situation varies between regions. It also depends on the mix of permissions granted each year (in terms of site size) and on the overall size and mix of the stock of permissions that already exists. In some regions, including where housing completions exceed the assessment of need, one might draw the conclusion there are sufficient permissions; but in others there is a shortfall. We estimate that – based on some different assumptions – on a like-for-like comparison with the 1.3m total stock of live permissions currently in place (some of which are already built) we need a total stock of between 1.7m and 2.4m. At the mid point, this means that – *ceteris paribus* – around 520,000 permissions per year need to be granted in the short-to-medium term. If the aim is to achieve 300,000 net additions by 2025, permissions need to be in place by 2023. When compared with MHCLG's most recent recorded annual flow of permissions of 372,000 an increase of around 145,000 is needed in the next 2-3 years.



7. Recent data on permissions shows the steady upward trend seen between 2012 and 2018 has halted and in fact the flow of permissions has started to decline. If rates of permissions were sustained at around 372,000 per year there would be a shortfall of almost 295,000 permissions by 2023. This points to the need for an uptick in permissions in the next 1-2 years in order for these homes to be delivered by the mid-2020s.
8. However, the Government's decision in December 2020 to concentrate housing need in areas where there are persistent barriers to development, by boosting housing numbers in the 20 largest cities which now need to plan for 35% more homes, will make it more difficult to boost permissions to the levels necessary. This is compounded by the failure of local plans and the duty to cooperate system to redistribute housing need to areas with available land.
9. The above also highlights the importance of the tilted balance in decision-taking, more so than ever, because:
 - a. There is evidence that, as of now, there are significant gaps between the number of permissions and the amount of housing that is needed (either planned for through the local plan [where it is up-to-date] or the need figure indicated by MHCLG) across the south of England. This suggests plans (or the failure to plan) are failing to make sufficient provision for housing needs; and
 - b. Without complete plan coverage the system is reliant upon permissions coming forward outside of plan-making, and those permissions need to be granted by 2023 for those homes to be delivered by the mid-2020s.
10. Finally, our analysis confirms the significant difficulties of working with the available data on planning permissions and homes completed. Because of its limitations – which we have not been able to completely overcome – it is easy for those seeking to understand the operation of the planning system to draw the wrong conclusions as to how the planning system impacts on housing delivery. A priority of Government, as part of its efforts towards the digitisation of the planning system, should be to provide an improved system for recording permissions, their relationship to land, and their implementation.

Our second and third stages of the research - assessing how the stock of permissions relates to housebuilder pipelines and a more detailed analysis of what happens to the stock of permissions for a number of local authority case studies - will reveal more about what can be done to ensure the ambition to deliver 300,000 homes a year can be realised.

Contacts



The Minster Building
21 Mincing Lane
London
EC3R 7AG
london@lichfields.uk
020 7837 4477



Grosvenor House
11 St Pauls Square
Birmingham
B3 1RB
info@lpdf.co.uk
0121 232 8606



HBF House
27 Broadwall
London
SE1 9PL
020 7960 1600
info@hbf.co.uk