

## **Introduction**

In August 2020, Government consulted on their proposed 'Changes to the current planning system'. Part of this consultation was a proposal to revise the Standard Method for calculating minimum housing need, for all local authorities across the country. The new methodology resulted in need of approximately 337,000 homes per annum nationally, thereby suggesting that Government's long-held ambition to deliver 300,000 homes per annum would be realised.

Following the conclusion of consultation in October however, the Government published further revisions to methodology, or what some commentators described as the 'mutant algorithm', in December 2020. These changes reflect a return to the methodology first consulted on in September 2017 for most authorities, but with a further 35% uplift to the figure generated by the Standard Method to those urban local authorities in the top 20 cities and urban centres list published by ONS. The resultant national need generated by these changes falls from the 337,000 homes per annum consulted on in August, to approximately 297,000 homes per annum.

Given the outcome of all this activity there are two key questions we believe we, as an industry need to consider:

- First, should the housing requirements of local authorities be set by a formula or numeric calculation (which some would say is driven by the desire for the answer to total 300,000 homes a year)?
- Second, if reliance upon a numeric calculation is correct, will it result in the delivery of the requisite new homes?

## **'Mutant Algorithm'**

Reference to the August 2020 methodology as an algorithm that had mutated, was perhaps an attempt to tie the proposals back to the exams debacle last summer and to create the impression that the standard method was somehow 'out of control' and resulting in unwarranted requirements.

The forecast outputs of the proposed standard methodology were not rogue. They are simply results of the methodology proposed and the inputs.

In our response to the original White Paper proposals, we argued that:

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*"Housing requirements (the current and revised standard method) are simply a numeric calculation based on demographic trends and profiling. At its core, housing policy, and therefore planning, should seek to meet demographic needs and growth ambitions, adjusted to reflect the social and economic policy ambitions. It should increase supply where affordability is at its worst and seek to intervene where there are both need and affordability challenges, that the market is failing to meet alone i.e., regeneration and renewal. But the current approach to standard method rarely meets all these objectives.*

*By moving to set housing targets at a national level, we agree that there is a stronger chance these objectives could be met. However, when they are not based within a wider national context of economic ambition and measures to support and drive this, they lack credibility and will not result in the delivery of homes where and when we want them, in a manner that is consistent with wider economic and social policies. We have previously lobbied for a national plan (through both our Wolfson Economics Prize submission in 2014 and more recently through support of the UK 2070 Commission) that spatially sets out and drives infrastructure-led growth which is capable of supporting the realisation of levelling up.*

*In principle therefore, we agree that a standard method for establishing housing requirements that considers constraints, should be introduced, provided that:*

- 1. There is an overall housing growth target in place. The white paper commits to this (300k per annum), but only to achieve 'one million homes by the end of this parliament' - this is too short term.*
- 2. For the sake of effectively managing delivery and providing for regional balance, the target should ideally be regionalised (applied between regions – or another workable sub national level, such as might come forward through local government reform and devolution).*
- 3. The definition and scope of constraints are reviewed to ensure that they are fit for purpose. A major challenge here being should they constrain housing development or simply require provision to be reallocated elsewhere?*
- 4. We need a debate around what this means for greenbelt designation. The white paper states that the existing policy for protecting Greenbelt would remain, in which case, can it be included as a constraint? We have and will continue to lobby for a real debate and considered review of this policy."*

The short point is that the setting of housing requirements cannot simply be a numeric or formulaic exercise or 'policy off'. It must or should be 'policy on'.

## **Delivery v Requirement**

The key question generated by December 2020's revisions centres on the top 20 urban centres, where a 35% uplift is made to the Standard Method calculation. But will these local authorities be able to deliver the increased 'minimum' housing need figures imposed upon them by December 2020's changes?

Based on past levels of delivery, the answer appears to be 'no', as the table below illustrates.

Local Authority	Standard Method need (per annum)	Average delivery 2015-2020 (per annum)	Average delivery 2010-2020 (per annum)	Shortfall per annum (5-year average)	Shortfall per annum (10-year average)
Birmingham	4,829	3,135	2,281	-1,694	-2,548
Bradford	2,300	1,328	1,156	-972	-1,144
Brighton & Hove	1,247	484	444	-763	-803
Bristol	3,196	1,627	1,530	-1,569	-1,666
Coventry	2,325	1,474	1,222	-851	-1,103
Derby	1,189	642	539	-547	-650
Hull	536	798	634	262	98
Leeds	3,763	2,868	2,322	-895	-1,441
Leicester	2,341	1,432	1,282	-909	-1,059
Liverpool	2,103	2,601	1,825	498	-278
London	93,579	36,002	29,815	-57,577	-63,764
Manchester	3,527	2,574	1,835	-953	-1,692
Newcastle	1,399	1,921	1,181	522	-218
Nottingham	1,551	1,315	976	-236	-575
Plymouth	1,783	937	769	-846	-1,014
Reading	876	720	565	-156	-311
Sheffield	2,877	2,240	1,576	-637	-1,301
Southampton	1,353	989	860	-364	-493
Stoke on Trent	675	782	613	107	-62
Wolverhampton	1,013	689	604	-324	-409
<b>TOTAL</b>	<b>132,462</b>	<b>64,558</b>	<b>52,029</b>	<b>-67,904</b>	<b>-80,433</b>

The evidence laid out in the table suggests delivery of the 35% uplift in the top 20 cities will be unrealistic in practice. **Over double** the cumulative average delivery achieved by the 20 cities between 2015 and 2020 would be required to achieve the revised Standard Method need figure (132,000 dwellings per annum – dpa).

Delivery in the individual cities against the 5-year average would need to increase significantly, some of the highest being in London (160% increase required), Brighton & Hove (158%), Plymouth (91%), Derby (85%), Leicester (63%), Birmingham (54%) and Manchester 37%).

Only four (Hull, Liverpool, Stoke-on-Trent, and Newcastle) of the 20 cities have delivered more than their individual Standard Method need figure over the past 5 years. Against the 10-year average this falls to a single authority (Hull).

London bears most of the projected shortfall, but it is important to recognise how London’s figures are made up from 33 separate local authority areas. Notwithstanding this there are other authorities where the shortfall

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against past delivery exceeds 1,000 dpa. This includes Birmingham, Bradford, Bristol, Coventry, Leeds, Leicester, Manchester, Plymouth, and Sheffield.

Overall, the analysis leaves us with a **projected shortfall of between 68,000 and 80,000 dpa**. This is equivalent to the failure to deliver a town the size of Huddersfield or Ipswich **every year**.

### **Duty to Co-operate**

The need required by the revised Standard Method is therefore considered to be highly challenging to deliver for the local authorities listed in the table without assistance from neighbouring local authorities. However, Government's August 2020 'Planning for the Future' consultation set out proposals to abolish the Duty to Cooperate, through which local authorities within the same Housing Market Area (HMA) were required to work together in delivering development such as housing.

The Duty to Cooperate had led to Strategic Growth Strategies in HMAs such as Birmingham, where Birmingham City Council identified how they would be unable to deliver all their housing need. Neighbouring local authorities within the Greater Birmingham HMA subsequently made allowance for Birmingham's unmet need in their Local Plans and a significant proportion of unmet need from Birmingham was due to be delivered through these neighbouring Local Plans.

However, in their response to the August 2020 consultation, Government have stated that the "*increase in the number of homes to be delivered is expected to be met by the **cities and urban centres themselves**, rather than the surrounding areas.*"<sup>1</sup> With this statement and the intended abolition of the Duty to Cooperate, the chances of unmet need being met is now considered to be more difficult to achieve than it ever was.

So, we may have a formula which may well identify where the homes should be provided, but little chance of them being delivered?

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<sup>1</sup> Rationale for cities and urban centres uplift, Consultation outcome: Government response to the local housing need proposals in "Changes to the current planning system", Updated 16 December 2020