

Housing Delivery Test - Covid Relief

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In a Written Ministerial Statement (WMS) published on the 6th of September 2021, Housing Minister Christopher Pincher has announced that the Government will subtract 4-months from the figure of the number of homes required, used to calculate the Housing Delivery Test (HDT) for local planning authorities (LPAs) in England. This is stated as arising from the impact of the Covid-19 pandemic on housebuilding and construction in general.

The 2021 HDT is due to be published in November this year. The move by Central Government will see a 122-day deduction to account for the disruption seen between the months of April through to July 2020. This follows a similar approach adopted in the 2020 HDT measurement when 31 days were deducted from the requirement on that occasion.

In line with the Government's WMS, data from MHCLG on housing supply demonstrates a drop in completions in England in 2020, with Q2, the period between April and June 2020, seeing the sharpest reduction.

As demonstrated by MHCLG Live Table 213 (permanent dwellings started and completed), pre-pandemic (or Q4 2019) outputs for all new permanent dwellings sat at some 49,550 dwellings. This output dropped to 16,680 dwellings in Q2 2020 – a 66% decrease in completions and a true marker of the initial impact of the Covid pandemic.

The return to almost pre-pandemic levels of output was, however, rapid. Q3 2020 saw the same output as the corresponding quarter in 2019 and 2020 Q4 and 2021 Q1 significantly outperformed past delivery when measured against the same quarters in 2018, 2019 and 2020.

An estimated 157,408 (seasonally adjusted) new build dwellings (the largest component of net additional dwellings) were completed in the year to March 2021 - a decrease of 11% compared to the year to March 2020 and only around -9% when comparing with March 2019.

An effective 33% reduction in the 2020-21 time-period used to calculate the number of homes required for the 2021 HDT measure is therefore, clearly excessive.

Whilst all regions have seen a decrease in completions in the year to March 2021 from the year March 2020, starts have increased in London, the North-East, Yorkshire and the Humber over the same time period.

The fact remains, and the WMS confirms, that for the financial year 2019-2020, the number of net additional

dwellings (including completions, conversions and change of use) stood at 244,000. The sector delivered more net additional dwellings in 2019/2020 than was required by the 2020 HDT measurement (220,000).

The latest provisional figures on planning applications also show that permission for 295,000 homes was given in the year to 31 March 2021, down just 6% from the 315,000 homes granted permission in the year to 31 March 2020.

Whilst the initial lockdown most certainly had a significant immediate impact on the sector, the current shortfall in materials and labour is the biggest potential disruptor to short-term delivery.

Despite this, housing delivery remains at or close to pre-Covid levels. With affordability constraints and demand for new dwellings as high as ever, arguably the Government's approach is unnecessary and fails to take account of the sector's rapid return to health.

In allowing adjustments to the number of homes required that potentially exceed the impacts of Covid-19 upon the sector it is also impossible to discount that mitigation of the HDT measurement will also offset impacts on delivery for other reasons - such as delays to plan-making.

The WMS further provided some clarity on the measurement of the HDT for newly formed authorities, with the Minister confirming that new Unitary Authorities will be able to choose between using their former boundaries or their new administrative boundaries until the fifth anniversary of the existence of the new authority.

Whilst the amendment that will be made to the measurement will, for some, be seen as controversial and arguably unnecessary in light of the strong prospects for recovery following the pandemic, the WMS confirms that the thresholds for the consequences of failing to achieve the number of homes required will remain unchanged.

Most significantly, LPAs achieving under 85% of their requirement will be required to add a 20% buffer to their five-year housing land supply requirement. For the worst performers, or indeed those achieving less than 75% of their requirement, the presumption in favour of sustainable development will apply.

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