



TerraQuest

The Planning Portal Application Index

What does the latest Planning Portal data tell us about the country's housing problem?



Foreword

At times, data can feel detached from people's lives, providing only one perspective on an important issue. On other occasions, however, it gives us a more accurate view of the complex and often contentious decisions that affect us all. Housing is certainly one of those cases.

Housing inspires intense debate in the UK – in part because there simply isn't enough of it across the country. And this shortage means it's often seized upon by both the government and opposition. It's something you'll hear about endlessly in an election year, as a barometer for the health of the economy and effectiveness of those currently in power.

But, as this report shows, politics is often out of step with the reality on the ground. And that makes the raw data particularly important for making sensible decisions with a reasonable chance of long-term success.

This is essentially the rationale for the Planning Application Index – TerraQuest's quarterly review of the data passing through the Planning Portal. It's about giving a more accurate and up-to-date

view of development plans across the UK, which in turn can be used to inform strategy that's firmly rooted in the facts.

There has been a great deal of discussion around the planning system and the reform needed to break bottlenecks. But the situation is a lot more nuanced than it first appears. Without some understanding of these subtleties, the next housing minister will likely run into the same challenges as their predecessor.

We believe the index will help to steer policy in a more productive direction, with the ultimate aim of getting more houses built as they're granted permission. It's a huge challenge but this is a good start.



Geoff Keal,
CEO at TerraQuest

Introduction

What Is the Planning Portal Application Index?

The Planning Portal Application Index is the first in a series of quarterly insights reports from TerraQuest.

These studies are intended to give a more immediate snapshot of the application process across the country and, by extension, a better picture of the current development pipeline by sector. They provide invaluable insight long before the government publishes its own validated set of statistics on the same topic, which are often several months after the quarter in question has concluded.

The index is based on TerraQuest's first pass of the data. This is made possible by our privileged position as the provider of Planning Portal since 2015.

Today, the vast majority of applications pass through this system. And now we're able to share that information as it's received.

Good intelligence is important at the best of times, but it's critical during a difficult period. With a general election on the horizon and planning policy in full view, now is an ideal time to examine the intentions of the two major parties and determine whether their ideas align with what the data is telling us.

Given that housing will define a large portion of the debate during the election campaign – and indeed the entire term of the new government – we saw fit to focus our first Index report on this particular issue. The findings reveal an important disconnect.



I. Proposed Housing Policy

What's the Position of the UK's Major Political Parties?

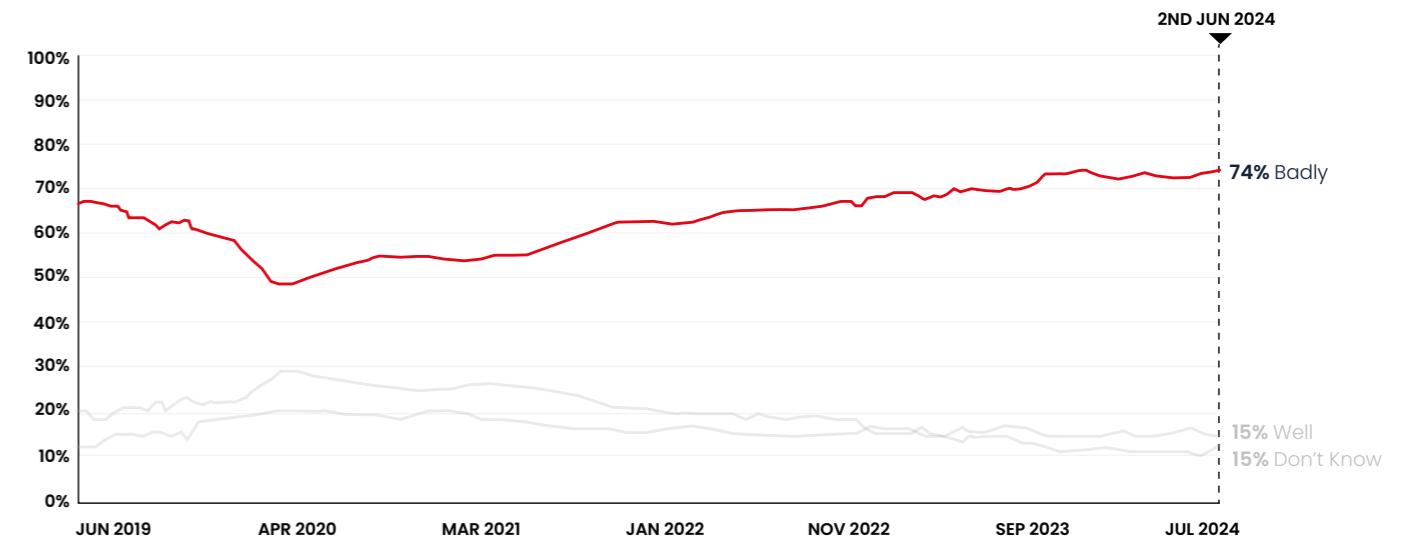
Housing has consistently featured as one of the top five issues for the UK public over the past decade. According to the latest data from YouGov, only the economy, health and immigration were considered more important among voting-age adults. As of June 2024, housing is tracking at or close to its highest point since records began in 2013.¹

Still, the residential debate has rumbled on for some time, not least because a clear majority believe the issue has been mismanaged. Again, YouGov statistics offer the best insight.

At the beginning of June 2024, 74% believed the government was handling housing badly; only 15% said it was being handled well. And this gap has been fairly consistent since 2019.²

For both the incumbent and incoming government, these figures will make for difficult reading. Economic conditions are particularly challenging and there are few signs this will change before the end of the year. Even with political will in favour, getting houses built is likely to remain a major challenge regardless of who wins the election (head to sections three and four for more on this).

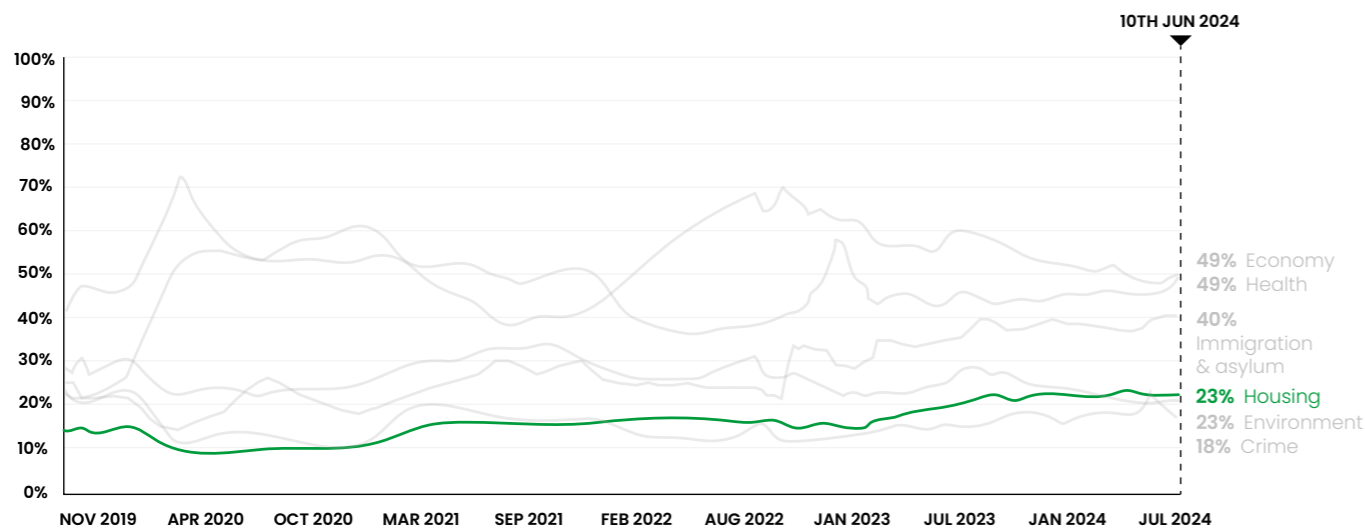
How the government is handling the issue of housing in the UK



Graph source: <https://yougov.co.uk/topics/politics/trackers/how-the-government-is-handling-the-issue-of-housing-in-the-uk>

These conditions emphasise the need for coherent policy underpinned by accurate planning data. Here's what the two major parties have said in their manifestos:

The most important issues facing the country



Graph source: <https://yougov.co.uk/topics/society/trackers/the-most-important-issues-facing-the-country?period=5yrs>

Conservative

The Conservative Party manifesto says it will deliver 1.6 million homes in the next parliament. Spread across five years, this figure exceeds the government's current annual target by 100,000.³

Housing policy – found on page 52 of the manifesto – is largely concerned with expediting the planning process, building on brownfield sites and limiting green belt development. These positions can be seen in the following passages:

"Delivering a record number of homes each year on brownfield land in urban areas. We will do this by providing a fast-track route through the planning system for new homes on previously developed land in the 20 largest cities."

"Retaining our cast-iron commitment to protect the green belt from uncontrolled development ... Our national planning protections mean there is never any top-down requirement for councils to remove green belt protection and these will remain in place."

¹ <https://yougov.co.uk/topics/society/trackers/the-most-important-issues-facing-the-country?>

² <https://yougov.co.uk/topics/politics/trackers/how-the-government-is-handling-the-issue-of-housing-in-the-uk>

³ <https://www.bbc.co.uk/news/61407508>

The manifesto is principally concerned with addressing perceived bottlenecks in the planning system, could be argued fast-tracking homes on previously developed land is doing this. In many respects, the policy aligns with Labour’s proposal – i.e. prioritising brownfield and maintaining much of the restrictions on green belt development.

Labour

The Labour Party manifesto says it will deliver 1.5 million homes over the next parliament, continuing the current government’s target of 300,000 per year.

The party says it will update the National Policy Planning Framework and increase the number of planning officers. These positions can be seen in the following passages:

“Labour will support local authorities by funding additional planning officers ... We will ensure local communities continue to shape housebuilding in their area, but where necessary Labour will not be afraid to make full use of intervention powers to build the houses we need.”

“Labour will take a brownfield-first approach, prioritising the development of previously used land wherever possible, and fast-tracking approval of urban brownfield sites. But brownfield development alone will not be enough to meet our housing needs.”

In addition, the party says it will also promote development on the ‘grey belt’ – a newly devised category of ‘poor quality’ land that sits within green belt boundaries. Examples given include wastelands and disused car parks.⁴

Both parties clearly recognise the need for more homes to be built. However, more often than not, planning system restrictions are given as the primary reason behind lower-than-planned output.

The ‘grey belt’ is offered as one solution but, as the following chapters of this report show, it fails to acknowledge the full scope of the challenge and will potentially misdirect efforts once a new government is chosen. Given the negative sentiment around government handling of housing policy, this would represent a considerable strategic error.



II. Government Planning Stats for Residential Properties

Q1 2024

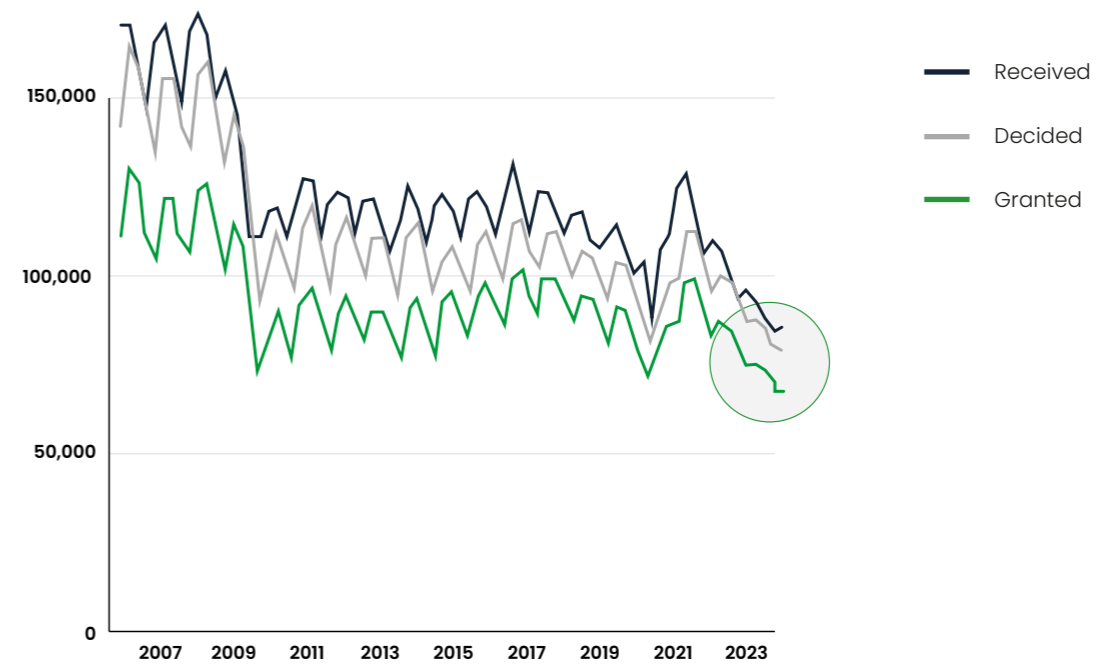
The government’s Q1 planning statistics were published on 13 June 2024. Headline findings show a general decline in the total number of planning applications received.

Most media stories will focus on these headline findings, especially during an election

campaign. But it’s clear a more in-depth examination of the figures is necessary. Clarity will be critical for the incoming government, not least because the detail reveals a more nuanced picture of both the planning system and housebuilding output in England.

Headline figures – an ongoing drop in planning activity

Number of planning application received, decided and granted
England, quarter ending June 2005 to quarter ending March 2024



Graph source: <https://www.gov.uk/government/statistics/planning-applications-in-england-january-to-march-2023/planning-applications-in-england-january-to-march-2023-statistical-release>

First, it’s worth looking at the annual results. In the year ending March 2024, district-level planning authorities granted 285,300 decisions, down 13% from the year ending March 2023. Authorities also granted 32,000 residential applications – again, down by 8% when compared with the government’s published figures from March 2023.

⁴ <https://www.insidehousing.co.uk/news/labour-sets-out-golden-rules-for-grey-belt-with-50-affordable-housing-promised-86135>

Now Q1. Between January and March 2024, district-level planning authorities received 85,800 applications for planning permission. This represents a fall of 11% from the same quarter a year earlier. Of that number, 79,100 applications were decided – a decline of 9%.

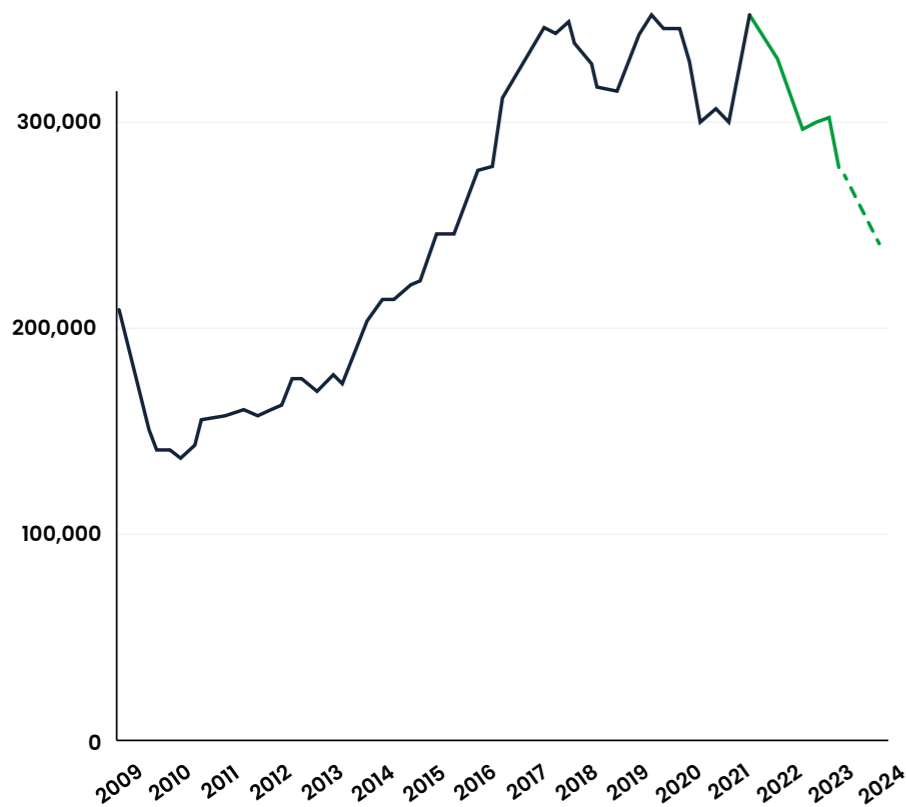
Authorities also granted 7,800 residential applications and 1,600 applications for commercial developments, the latter

representing a minor decline of 4% from the same quarter a year earlier.

While the total number of applications declined, the time it took for decisions to be made improved slightly. For example, 90% of major applications were decided within 13 weeks of the agreed time, up by 1% on the same quarter a year earlier.

Residential figures – housing units also trending downwards

Number of housing units granted planning permission
England, year ending June 2009 to year ending March 2024



Graph source: <https://www.gov.uk/government/statistics/planning-applications-in-england-january-to-march-2023/planning-applications-in-england-january-to-march-2023-statistical-release>

The latest figures show that permission was granted for 236,00 homes in the year up to March 2024, down 13% from the 270,000 homes granted permission in the year up to March 2023.

The number of units granted permission has fallen short of the government's 300,000 target for two years running. From 2019 to 2022, units granted permission exceeded this figure but it has since fallen short.



III. Assessing the Gap

Forecast from TerraQuest

At the time of writing, the government has just published its Q1 report covering up to March 2024. This leaves two full months of data unexamined, and it will be sometime in Q3 before the full quarter is published.

applications – affords it a 'first pass' at the latest data. In other words, this allows us to provide a more accurate and up-to-date forecast of the planning system across all regions of England.

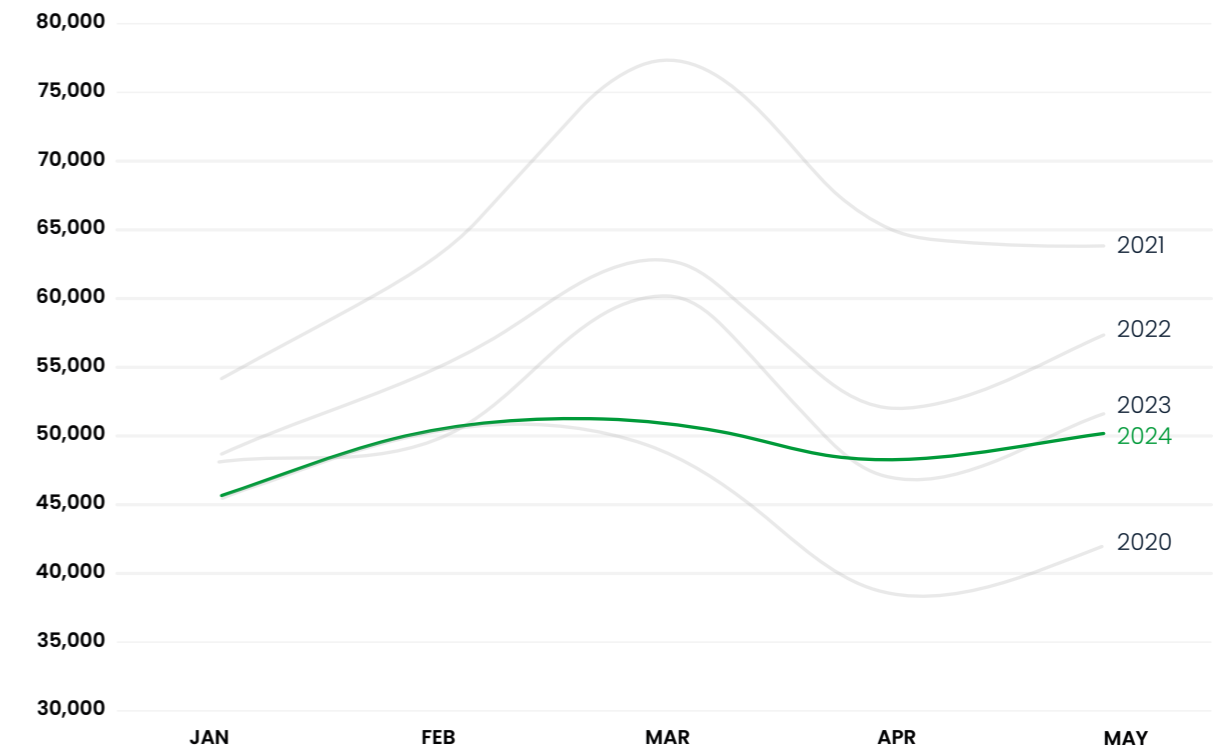
TerraQuest's proximity to the Planning Portal – which processes more than 90% of all planning

So, what do the latest figures show?

National applications – off the pace in Q2 2024

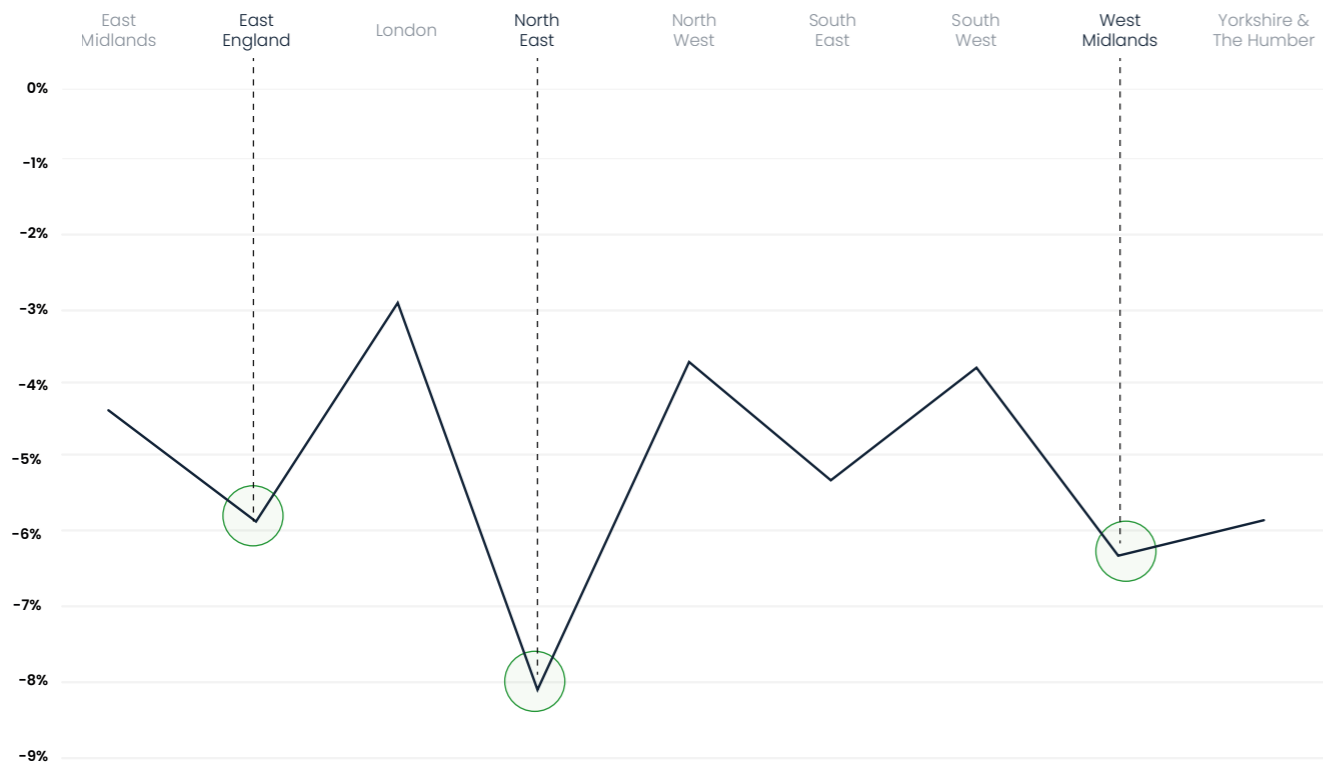
As the previous section showed, planning activity as a whole has declined in the past year. TerraQuest data for the months of April and May 2024 continues this pattern.

Note: this data is for all applications and not just housing.



Graph source: TerraQuest Planning Application Index, 2024

Year-to-Date 2024 Applications by Region vs. 2023



Graph source: TerraQuest Planning Application Index, 2024

In April 2024, for instance, TerraQuest saw 48,094 applications pass through the Planning Portal. This represents a slight increase on the same month in 2023, which recorded 47,282 applications. In May 2023, the figure was 51,598; in May 2024, it was 50,254.

Some might argue these are relatively minor changes. The same observers might also point out that activity has tended to decline at the beginning of the new financial year since at least 2020, with activity trending upwards thereafter. Still, the 2024 figures show applications tracking at a lower rate when compared with the same point a year before.

The same situation is also playing out across each region of England, with the East, North East and West Midlands faring particularly badly.



Housebuilding Activity

There's Far More to the Story...

With applications down, it's no surprise to find housebuilding also off the pace. However, these parallels are not the entire story because houses are still not being built in sufficient numbers even when planning permission has been granted.

To fully understand this argument, historical data is necessary.

There are several reasons for this:

1

Planning permission is typically valid for three years, so there will be some delay between approval and work commencing on site

2

Some applications will need to negotiate outstanding reserved matters – again this will delay housebuilding activity

3

Once approval has been granted on these matters, the applicant will have a further two years to build



As the table on the right shows, almost 2.7 million housing units have been granted in England since 2015.

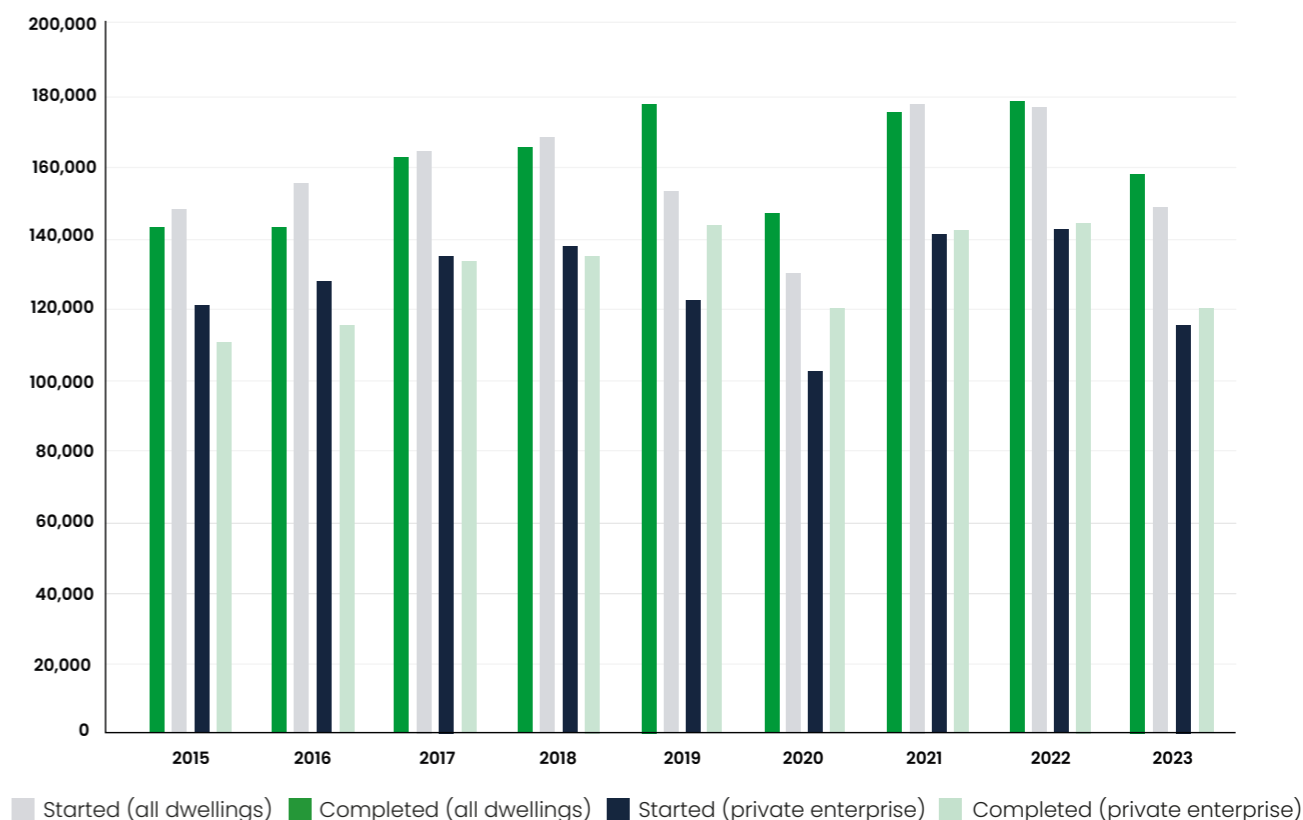
Yet, there is a significant discrepancy between this number and ONS figures for permanent dwellings started and completed in England over the same period.

Number of housing units granted planning permission

| Rolling annual total to | Number of units granted | Percentage change from prior year |
|-------------------------|-------------------------|-----------------------------------|
| 2009 Q1 | 168,000 | NA |
| 2010 Q1 | 151,000 | -10 |
| 2011 Q1 | 165,000 | 9 |
| 2012 Q1 | 180,000 | 9 |
| 2013 Q1 | 175,000 | -2 |
| 2014 Q1 | 212,000 | 21 |
| 2015 Q1 | 241,000 | 13 |
| 2016 Q1 | 270,000 | 12 |
| 2017 Q1 | 329,000 | 22 |
| 2018 Q1 | 314,000 | -4 |
| 2019 Q1 | 327,000 | 4 |
| 2020 Q1 | 315,000 | -4 |
| 2021 Q1 | 310,000 | -2 |
| 2022 Q1 | 302,000 | -3 |
| 2023 Q1 | 270,000 | -11 |
| 2024 Q1 | 236,000 | -13 |

Table source: <https://www.gov.uk/government/statistics/planning-applications-in-england-january-to-march-2024/planning-applications-in-england-january-to-march-2024-statistical-release>

House building: permanent dwellings started and completed in England (ONS data)



Graph source: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ukhousebuildingpermanentdwellingsstartedandcompleted>

ONS data reveals several important points:

- 1
- 2
- 3

Since 2015, almost 1.5 million homes have been completed – considerably short of the total number of units granted permission

Homes completed by private enterprise are at their lowest point since 2016 (excluding 2020)

Homes started by private enterprise are at their lowest point since 2015 (excluding 2020)

IV. Analysis

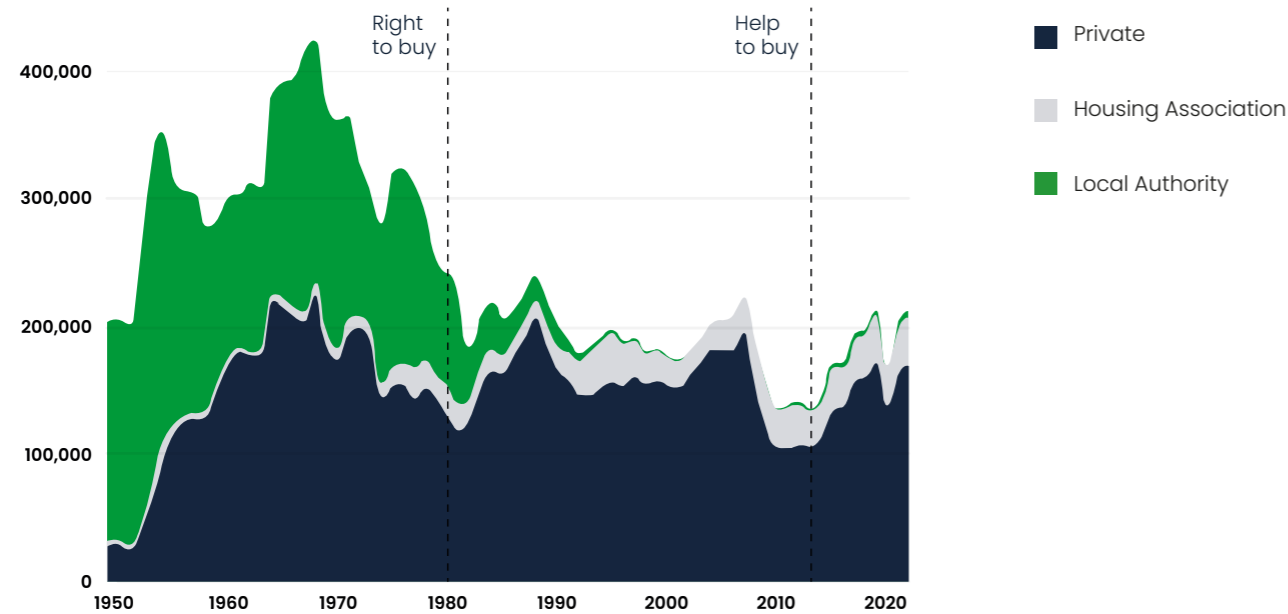
What Do These Figures Show?

These findings will be familiar reading for some within the industry. Nevertheless, they reveal a significant misalignment between the proposed

policy from both parties examined in section one and the reality on the ground at housing developments across England.

The UK is building far fewer homes than in previous decades

Permanent dwellings completed annually by sector



Financial Times – ONS

Both political parties are seemingly focused on a partial reforming of the planning system in order to meet housing targets. Yet the facts suggest this approach is misplaced. Until recently, there were enough homes being granted planning permission; insufficient numbers were actually being built. Now the situation is even more severe, with both planning applications falling and building activity slowing considerably.

So, what lies behind lacklustre housebuilding activity?

If it's not solely down to the planning system, as the figures suggest, what else is impeding activity? And how deep-rooted are these impediments for the next government? Taking a step back, the issue is not exactly new.

Across the whole of the UK, local authority homebuilding has fallen considerably from its peak in the late 1960s and has effectively plateaued since the 1990s (late-2000s economic crash notwithstanding).

Meanwhile, private housebuilding activity has mostly remained within the same bracket of 100,000–200,000 new homes since the early '70s, failing to track with a growing population.

This assessment might be considered reductive given the immediate need to build and at a much quicker rate. Still, it shows the problem is deeply structural and even major reform will fall short without some engagement with industry.

Instead, it's better to address the immediate pressures that stop builders from starting and completing work.

Immediate pressures:

1

Inflation hit its highest point in more than 30 years in 2022. Despite falling considerably since then, it still remains at an elevated level when compared with the past 10 years.⁵

2

Higher interest rates have been used by the Bank of England to address inflation, but this blunt tool has caused mortgage rates to rise and made credit far more expensive.

3

Despite genuine supply-side reasons for slower-than-expected housebuilding – including political uncertainty – it's inflation-busting measures that have made a larger impact short term.

These implementations have caused a negative shock to effective demand and homebuyers are simply unwilling to pay the prices at which developers want to sell.⁶

⁵ <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/i55o/mm23>

⁶ <https://www.jrf.org.uk/housing/why-are-rates-of-housebuilding-falling>



Immediate pressures continued:

4

Infrastructure is also a challenge. According to Knight Frank, long waiting times for a grid connection continues to hamper development across the UK.⁷

5

Construction skills have been in short supply for some time, making it harder to accelerate development in areas where permission has been granted for some time. According to the Construction Skills Network's latest report, roughly 225,000 new workers are needed by 2027 to meet demand.⁸

While formidable challenges in their own right, these points are directly influenced by government policy and improvements will likely stimulate housebuilding activity more than

proposed changes to the planning system. In other words, addressing base economic and labour concerns will be more productive, especially as reform is typically a long process.

V. Other Views

Third-Party Comments

The findings from the Planning Portal Application Index June 2024 report highlight the multifaceted challenges faced by the housebuilding sector. Increasing the delivery of much-needed homes across the UK is incredibly complex, with the number of residential planning permissions granted being only one aspect of the issue.

According to the main political parties' manifestos, the least ambitious target is to deliver 300,000 homes annually. However, the last time this target was met was 47 years ago in 1977, with nearly half of those homes provided by local authorities. Today, local authorities contribute only a few thousand homes annually, less than 1.5% of the 300,000 target.

To address the delays in home delivery, we must consider the entire spectrum of contributing factors. Delays are exacerbated by slow processes in discharging planning conditions, a shortage of ecologists to prepare biodiversity net gain (BNG) assessments, nutrient neutrality blocks, and labour shortages.

Project viability is also a concern, given the increases in material costs and lending rates, as well as the new expenses associated with BNG requirements. Housebuilders are eager to commence construction and break ground.

However, amid various challenges that increase risks, we are increasingly being consulted on the essential work needed to implement planning permissions. This approach ensures that permissions are preserved, enabling developments to move forward smoothly when conditions improve.

In addition, we are providing further strategic advice on Section 106 negotiations to

ensure that planning permission is secured at the optimal time. This allows housebuilders to better manage the timing of their obligations to purchase sites under their option agreements, giving them the necessary flexibility to source financing effectively and proceed with confidence.

The focus on developing and regenerating brownfield or previously developed land, often highlighted as a solution, presents unique challenges. While these sites may incur increased costs due to potential contamination, a new hurdle arises from the recently introduced BNG requirements. Brownfield sites often host open mosaic habitats, classified as 'high distinctiveness habitats', making it more expensive to regenerate them. This is because developers are now required to achieve a 10% improvement in the site's existing biodiversity or purchase costly off-site credits.

The funding of additional planning officers, increased focus on local plans, support for councils and housing associations to build their own homes, and reassessment of green belt policy are all positive proposals in the manifestos.

However, to meet the ambitious target of delivering 300,000 homes a year, it is crucial to address the industry's capacity in terms of skilled labour. With the right support and training initiatives, the housebuilding sector can rise to this challenge and achieve these goals.



Rosalind Andrews
Partner, Head of Planning, Highways & Environment at HCR Law

⁷ <https://thenegotiator.co.uk/news/land-new-homes/housebuilders-blame-national-grid-for-stalling-completion-of-15000-new-homes/>

⁸ <https://www.newcivilengineer.com/latest/construction-industrys-labour-and-skills-shortages-could-impact-uk-national-infrastructure-pipeline-delivery-05-06-2023/>



After more than two years of economic chaos and ever ongoing changes to the planning system, this report reveals that a clear majority of Britain's population believe the country's housing policy has been mismanaged.

Shedding light on the complex and systemic problems in housing delivery, the study hits the nail on the head – illustrating how housing approvals have slowed down, even while far exceeding the rate of housing delivery. The planning system is easy to blame, but it is certainly not at the core of the problem. Ongoing political uncertainty has halted many large-scale housing schemes while we've also seen many initiatives/developments, with planning approval now unviable due to a lack of clarity in project finance and the cost of construction. An alarming number of construction companies have also gone out of business, leaving projects unfinished and therefore facing huge delays.

Traditionally housing falls down the list of hotly debated issues by the time voters

head to the polls, but this year's election will be different. For both the incumbent and incoming governments, challenging economic circumstances mean that partial reform of the planning system will do little to address the systemic problems. Instead, the entire delivery vehicle involved in delivering homes needs scrutiny. Planning departments do need more resources and the right skills, but the country's housing problem is deeply structural. Sky-rocketing costs have slowed down every step in getting a home built – from the cost of reaching planning approval to the rigorous policy expectations that each development needs to deliver (biodiversity net gain and affordable housing as examples) to the simple cost of getting homes built on the ground.

As this report makes clear, industry-wide engagement is required if we want to begin to address the problem.



Dr Riette Oosthuizen
HTA Design

With local authority finances under heavy strain, council leaders are consistently being put in a position where they have to make difficult decisions on even statutory services.

This research sheds light on one such important service under threat: housing. And it is frustrating yet unsurprising to learn about the situation on the ground, whereby both planning applications as well as building activity for housing developments across England are slowing down. Acknowledging such an issue, our manifesto calls for a reinstatement of national housebuilding targets and increasing funding for supporting the delivery and management of temporary accommodation from the next administration, to boost the housing supply across the country.

Key Cities, the national cross-party network representing 27 urban centres across the UK and 10% of the population, believes that our local authorities should be given the autonomy to drive positive change in their communities, with devolved powers and funding to enable them to prosper in the long term. We hope that all political parties will take note of the insights provided by this report, for this year's general election to act as a crucial turning point to stabilise local government and ensure local communities have access to the housing they need and deserve.



Cllr John Merry
Chair of Key Cities and Deputy Mayor of Salford City Council



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TerraQuest

For more information, visit

information@terraquest.co.uk | 0121 234 1300

Quayside Tower, 252-260 Broad St, Birmingham B1 2HF