

# Housing Delivery Test: Action Plan

**July 2019**



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# 1. Introduction

- 1.1 Over recent years the Government has been reforming the planning system in an effort to stimulate the housing market and support house building. The delivery of new homes to meet housing needs is a national issue which the Government has committed to resolving. The Government revised the National Planning Policy Framework (NPPF) in July 2018<sup>1</sup>, and through it introduced a new mechanism to monitor housing delivery locally and hold LPAs to account, called the Housing Delivery Test (HDT). The HDT has been introduced by the Government as a monitoring tool to demonstrate whether local areas are building enough homes to meet their housing need. The HDT compares the number of new homes delivered over the previous three financial years with the authority's housing requirement.
- 1.2 The HDT score for East Herts is 76% which falls below the expected requirements and as a result the Council is now required to produce an Action Plan to show how it plans to improve housing delivery going forward.

## Purpose of this Action Plan

- 1.3 The East Herts District Plan 2018 was adopted a few months before the first set of HDT results were published in February 2019. The District Plan introduced new policies and allocated sustainable housing sites to increase housing delivery over the plan period, it takes a pro-active approach to growth directing the majority of new housing to the district's main settlements as well as proposing a new garden town to the south-east of the district. The Council has therefore already taken a key step towards addressing housing delivery within the district. As a result, many actions and responses to increasing housing delivery are identified within the District Plan.
- 1.4 This is East Herts Council's first Action Plan. It begins with an explanation of how the HDT works in practice and the consequences for local planning authorities that fail to provide sufficient homes to meet requirements. It also

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<sup>1</sup> The NPPF has since been updated again in February 2019 but the changes were much smaller in nature

provides a factual analysis of the potential reasons for historic under-performance in delivering new homes within East Herts. The policies contained within the Council's District Plan to boost housing supply as well as other national policy changes that have taken place are considered sufficient to help boost housing supply in the district, however a few additional, complimentary actions have been identified for further exploration via this Action Plan.

- 1.5 Not all of the reasons for the under-delivery of housing identified in this Action Plan are within the remit of the Council to resolve, however it is considered important to identify these issues so that the Council can make these matters known and assist others involved to improve housing delivery in East Herts.

## **Scope of report**

- 1.6 This Action Plan covers five main areas:

- An explanation of the housing delivery test.
- Research into housing delivery in the district.
- Analysis of the main issues affecting housing delivery and build out rates in the district.
- Identification of the key actions and responses considered appropriate at this stage to improve housing delivery.
- Project management and monitoring arrangements.

## **2. Housing Delivery Test**

2.1 The HDT is an annual measurement of the housing delivery in a Local Planning Authority (LPA) over the previous 3 financial years. The results of the HDT should be published annually in November by the Ministry for Housing, Communities and Local Government; however the publication of the first results were delayed until February 2019. The planning policy consequences for not meeting the HDT are set out in the section below.

### **How does the HDT work?**

2.2 The Test compares the delivery of housing within each LPA over the past three years against the number of homes required as a percentage measurement – delivery of the full amount would result in a Test score of 100%. Following the outcome of the results, there are then three possible consequences for not meeting the test:

1. If delivery has been less than 95%, the LPA should prepare an Action Plan to address the reasons for the shortfall.
2. If delivery has been less than 85%, the LPA should include a 20% buffer in calculating its 5YHLS.
3. If delivery has been less than 75%, then the presumption in favour of sustainable development is engaged<sup>2</sup>.

2.3 The presumption in favour of sustainable development would apply with respect to decision-taking on planning applications. In accordance with paragraph 11 of the NPPF, this means:

- Approving development proposals that accord with an up-to-date development plan without delay; or
- Where the policies which are most important for determining the application are out-of-date<sup>3</sup>, granting planning permission unless:

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<sup>2</sup> As a transitional provision, the threshold in the third element is set at 25% and 45% for the 2018 and 2019 Tests.

- The application of policies in this Framework that protect areas or assets of particular importance provides a clear reason for refusing the development proposed; or
  - Any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole.
- 2.4 Figure 1 (below) shows diagrammatically how the HDT operates including the outcomes and consequences in practice.

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<sup>3</sup> This includes situations where for applications involving the provision of housing, situations where the local planning authority cannot demonstrate a five year supply of deliverable housing sites, or where the HDT indicates that the delivery of housing was substantially below (less than 75%) the housing requirement over the previous three years



Source: MHCLG; Lichfields

**Figure 1 : Housing Delivery Test Process**

## Consequences of not building enough homes

- 2.5 The presumption in favour of sustainable development does not change the statutory status of the development plan as the starting point for decision making, however under this scenario the Council is likely to come under pressure to approve development which may conflict with the development plan. This may lead to an increase in planning appeals as adopted policies are tested against the presumption in favour of sustainable development and so the Council may find it harder to resist speculative, inappropriate or unwanted development outside the protected areas.
- 2.6 This could also have impacts on the local housing market. Housing affordability is already a growing issue in East Herts with the gap between house prices and earnings widening in recent years. If enough homes to meet demand are not built, this will exacerbate the local affordability issues and also affect the delivery of affordable housing, which is funded by the construction and sale of market housing.

## East Herts HDT Results

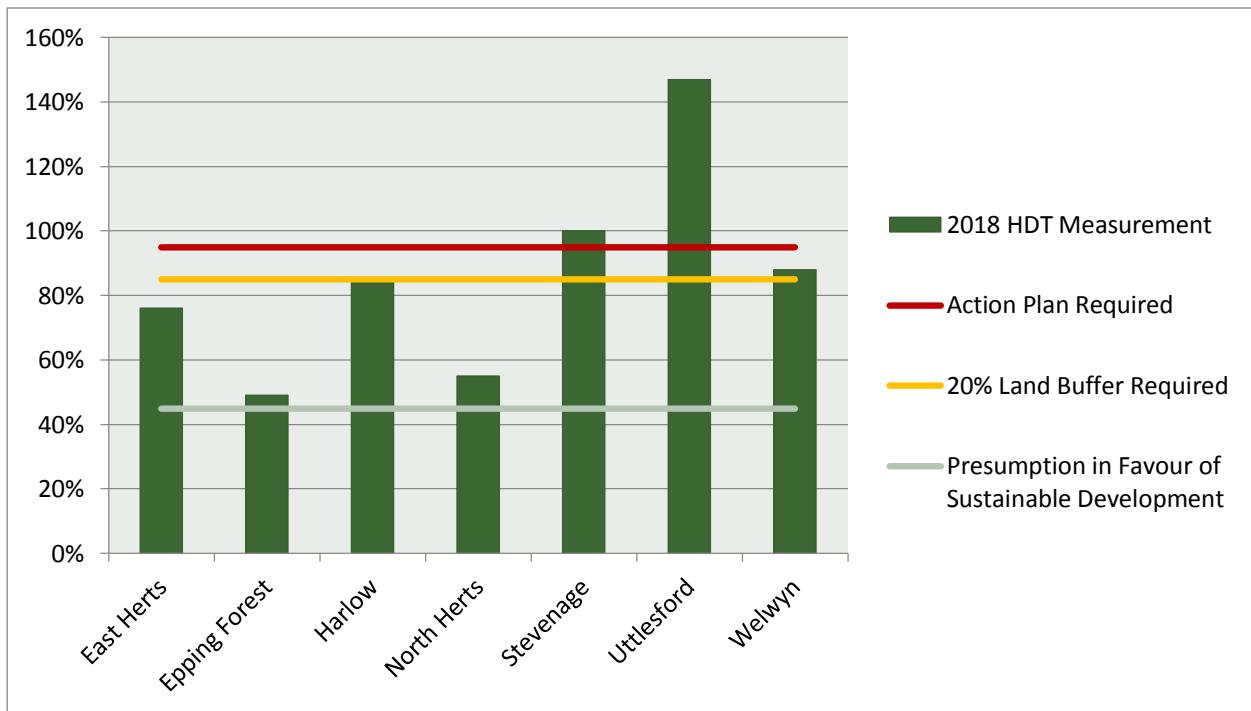
- 2.7 As previously mentioned, the HDT is a measure of the net homes delivered against the number of homes required over the previous three years. The results of the first HDT for East Herts are shown in Table 1 below:

Area	Number of homes required			Total number of homes required	Number of Homes Delivered			Total number of homes delivered	Housing Delivery Test: 2018 Measurement
	2015-16	2016-17	2017-18		2015-16	2016-17	2017-18		
East Hertfordshire	804	794	784	2,382	674	623	504	1,801	76%
<b>Shortfall in delivery over three year period = 581 homes</b>									

Table 1: East Herts 2018 HDT Results

- 2.8 East Herts delivered 76% of its housing requirements over the last three years up to the 2017/18 financial year. As East Herts' performance falls below 95% the

Council is required to produce an Action Plan as well as apply a 20% buffer to its five year land supply calculations. Action Plans are required to be produced within six months of the test results being published (i.e. by the end of August 2019). Figure 2 below shows how East Herts performed in the HDT in comparison to neighbouring authorities.



**Figure 2: Comparison of East Herts and Neighbouring Authorities 2018 HDT Results**

### **3. Research on Housing Delivery in East Herts**

3.1 As part of this Action Plan the Council has gathered data on a number of areas relating to housing delivery including; historic housing delivery data in the district, data on how many new homes the Council is approving, the expected future supply of housing, conditions in the local housing market, the typology of sites being delivered in East Herts and the policy context within which this all sits.

#### **Policy context**

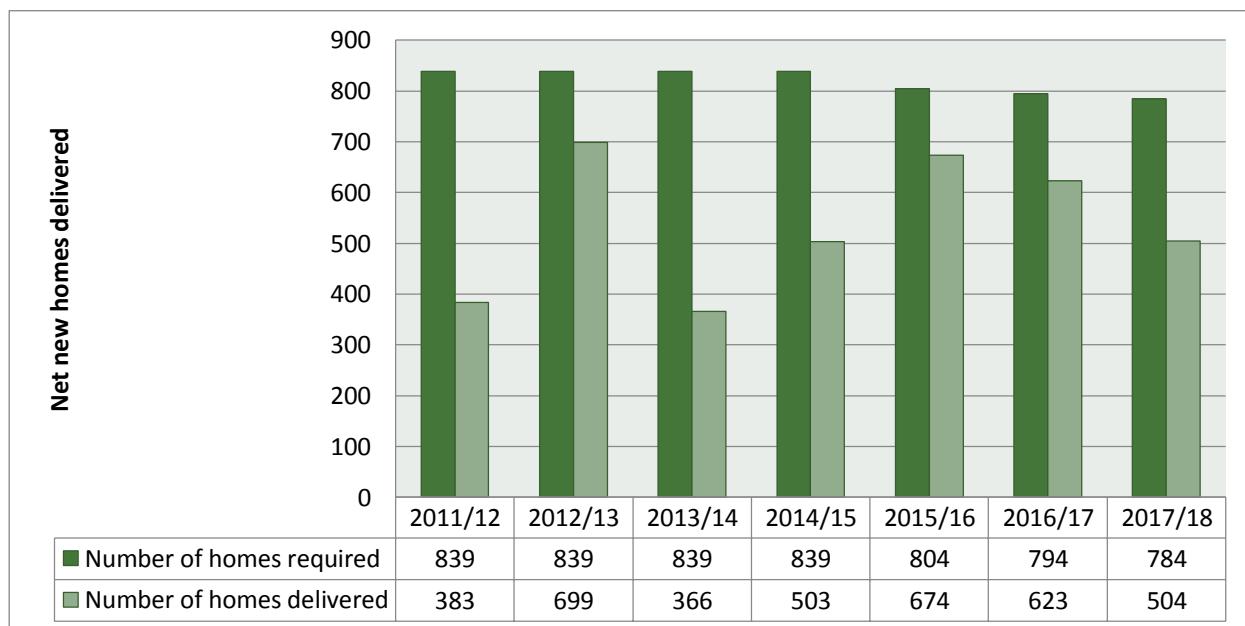
3.2 East Herts recently adopted its new District Plan in October 2018 which sets out a proactive development strategy to help meet the requirements in the district over the plan period up to 2033, and beyond. It provides the policy framework for the delivery of at least 18,458 new homes in the district up to 2033, plus an additional 6,950 new homes beyond the plan-period.

3.3 An update to the National Planning Policy Framework was published in July 2018 (last updated February 2019) which sets out the overall policy context within which local policy sits. The new NPPF encourages development on small and medium sized sites, through identifying land in the brownfield register and through encouraging the development of under-utilised land for housing. National planning policy and legislation over the last few years has also encouraged housebuilding through the use of permitted development rights to allow changes of certain land uses to residential use.

## Historic Housing Delivery in East Herts District

3.4 There has been a consistent shortfall in housing delivery in recent years in East Herts when assessed against housing requirements over the same period (see Figure 3). There is likely to be more than a singular cause for this and different solutions are likely to need to be actioned by stakeholders other than just the Council. For example, East Herts has a robust supply of sites as evidenced in the 'Five year land supply 2019' and has consistently been approving more homes than are required since 2011/12, some of which are not being built out, which suggests there are other factors affecting housing delivery.

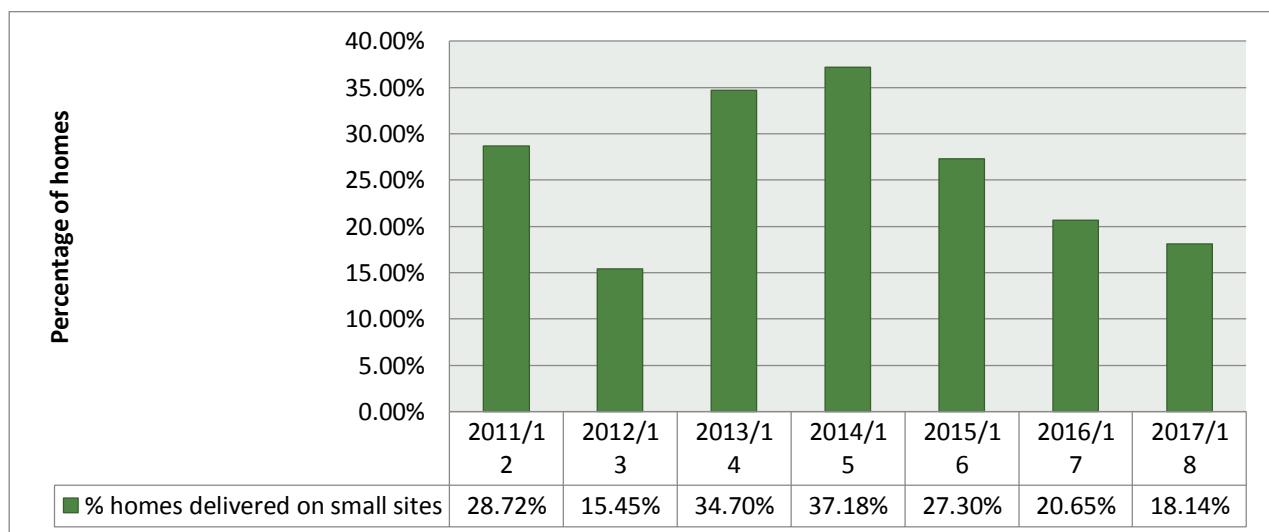
**Figure 3: East Herts housing delivery measured against housing requirements<sup>4</sup>**



<sup>4</sup> For the purposes of consistency, household projections are used as the measure of housing requirements for years 2015/16, 2016/17 and 2017/18 when assessing housing delivery over the longer term.

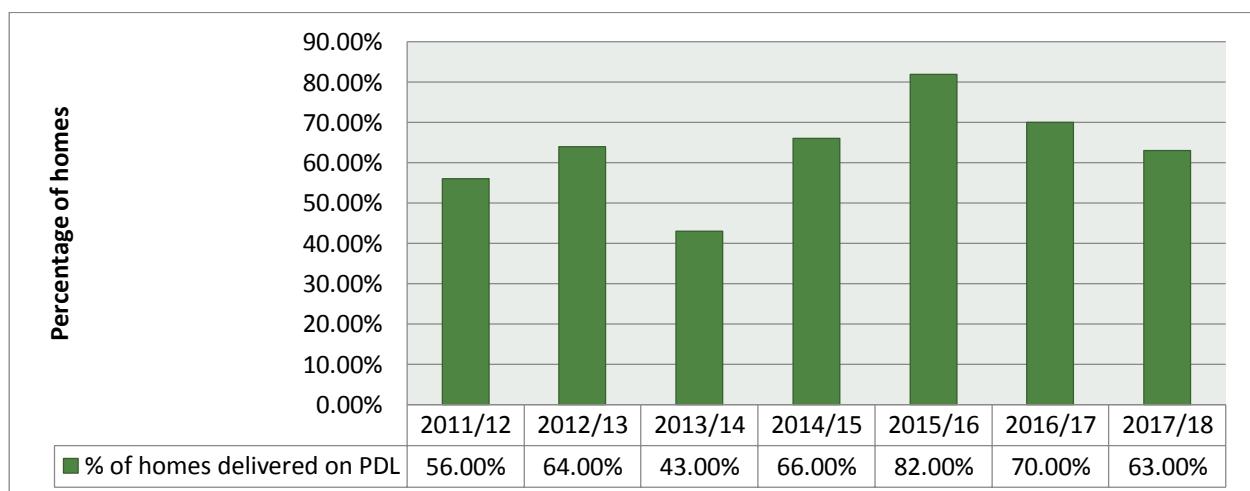
### Typology of sites delivered

- 3.5 As seen in Figure 4 below, a significant proportion of homes delivered in the district in the recent past have been on sites comprising of 10 units or less. On average, 25% of net completions in the last seven years have been on small sites consisting of ten homes or less.



**Figure 4: Percentage of homes delivered on small sites 2011-2018**

- 3.6 The majority of all housing (65%) between 2011 and 2018 has been delivered on previously developed land (PDL), or brownfield land (see Figure 5). The Council has opened up approximately 6% of Green Belt land for development through the allocation of sites in the new District Plan.



**Figure 5: Percentage of homes delivered on PDL 2011-2018**

## Current monitoring year's housing delivery

- 3.7 In the 2018/19 monitoring year, East Herts exceeded its housing target by delivering 907 net new homes. This is largely due to the build out of the more advanced sites in the District Plan and progress being made on completions of a few other large sites. The effect of the new District Plan on housing delivery is likely to be seen even more in the 2019/20 monitoring year and beyond as allocated sites are granted permission.

## Housing approvals

- 3.8 Figure 6 and Table 2 below highlights that over the last seven years, significantly more homes have been given planning permission than have been completed. These permissions exceed housing requirements by 95%. Although the build-out rate of planning permissions will vary depending on the size of the scheme, only 68% of homes granted planning permission between 1<sup>st</sup> April 2011 and 31<sup>st</sup> March 2018 have either been built out or begun construction. A significant proportion of planning permissions are expiring before works start (on average 5% over this time period), whilst some are being superseded by new planning permissions (16%), which delays the rate at which new homes are being delivered.

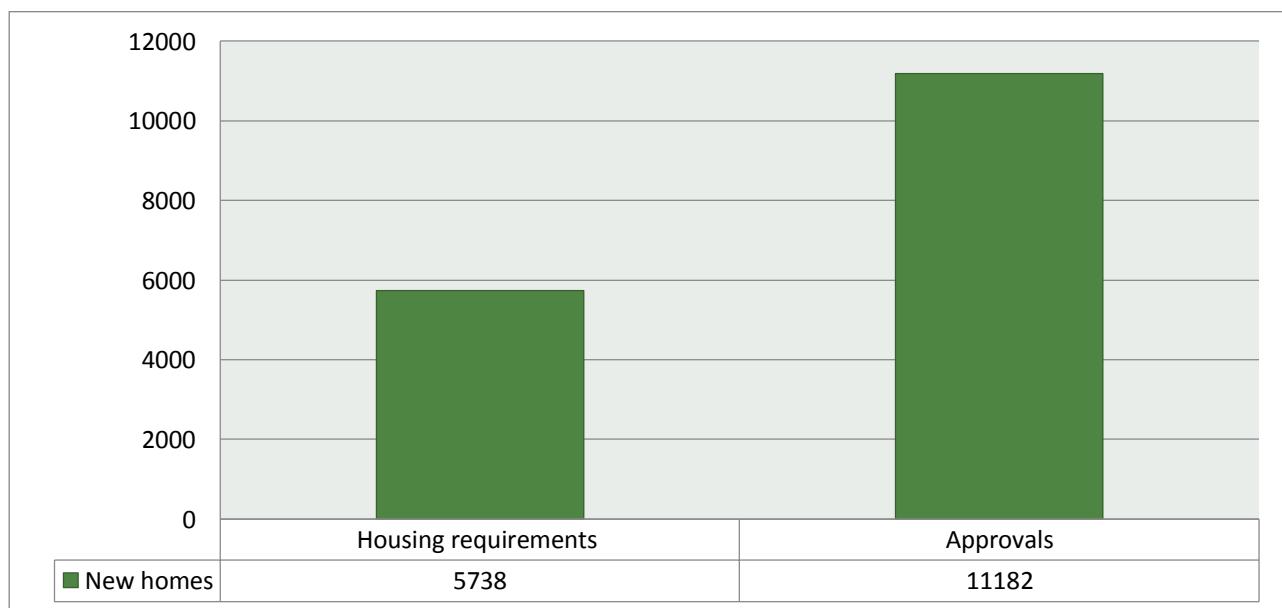


Figure 6: Number of homes granted planning permission 2011-2018

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
<b>Housing requirements</b>	839	839	839	839	804	794	784	<b>5738</b>
<b>Approvals</b>	848	595	1140	992	4124	1687	1796	<b>11182</b>
<b>Approvals as a % of housing target</b>	101%	71%	135%	118%	513%	212%	229%	<b>195%</b>
<b>Proportion of approvals between FY2011 and FY2017 that have either begun construction or completed development</b>								<b>7618 homes or 68%</b>

**Table 2: Housing approvals assessed against housing requirements 2011-2018**

3.9 The evidence demonstrates that the local authority has been approving enough new housing over the last few years to more than meet housing requirements, and that there are issues/barriers after planning permission is granted that prevent sites from being built out.

## Looking forward

3.10 A strategic housing market assessment (SHMA) was undertaken by East Hertfordshire, Epping Forest, Harlow and Uttlesford. Taking account of a shortfall in delivery against housing requirements between 2011 and 2017, which the District Plan intends to address over the ten year period between 2017 and 2027, the Council's objectively assessed housing need (OAN) was calculated as being 18,458 homes up to 2033. The Council is also required to apply a 20% buffer to its five year land supply to ensure choice and competition in the market for land and importantly to account for a persistent record of under-delivery. Given all of the above the final housing requirement for the district over the next five years is set out in Table 3 as follows:

	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2019-24</b>
<b>Annual requirement</b>	839	839	839	839	839	<b>4195</b>
<b>20% buffer</b>	204	204	204	204	204	<b>1020</b>
<b>Shortfall</b>	179	179	179	179	179	<b>895</b>
<b>Total land supply requirement</b>	1222	1222	1222	1222	1222	<b>6110</b>

**Table 3: East Herts housing requirements for the next five years**

## Five year housing land supply

3.11 The results of the five year housing land supply calculation will be published in Autumn 2019. Early calculations show that the Council has a robust five year land supply in excess of housing requirements.

## **4. Key issues**

- 4.1 As mentioned earlier, there are a vast number of reasons why housing may not be delivered at the required level and many of these are issues not exclusive to East Herts. This section explores some of the macro-level issues in the East Herts context.

### **Planning Performance**

- 4.2 The Council has been relatively consistent in making decisions on major and minor residential planning applications on time. 90% of major residential applications and 79% of minor residential applications were decided within the statutory time limit or agreed time during the year ending December 2018. In this regard the Planning Service is effective in ensuring the development process runs efficiently.
- 4.3 The Council's approval rate for residential planning applications varies between minor and major residential decisions. In the 2018 calendar year 80% of major residential planning applications were granted compared to 54% of minor residential planning applications. The Council will seek to determine why the approval rate for minor planning applications is not as high.

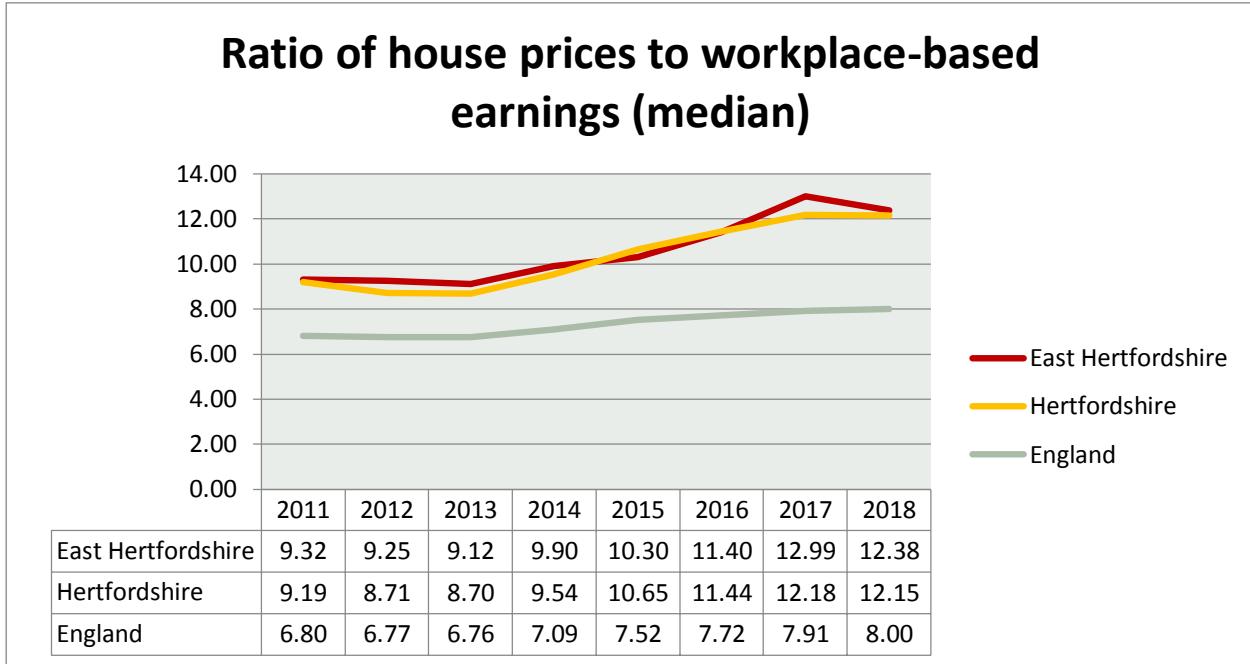
### **Local housing market**

- 4.4 At present, East Herts is largely dependent on the private sector for housebuilding. The Council is also dependent on the development of a few large sites to deliver the homes required in the district over the plan period. There are presently limited sites in Council ownership for development or redevelopment opportunities and the majority of social housing is owned by registered social landlords. The Council has recently set up a local housing development company which, in the future, may enable it to acquire sites for development; however this is long-term and is not guaranteed, and is subject to finance, viability and availability of sites for development.

### **Demand-side issues**

- 4.5 Affordability of housing has been a growing issue in East Herts and in Hertfordshire. Whilst the housebuilding industry overall has grown in recent

years, incomes in East Herts have not risen at the same rate as house prices and this will affect people's ability to purchase new homes in East Herts. The ratio of house prices to workplace-based earnings is now over 12:1, significantly above the England average, as shown in Figure 7.



**Figure 7: Ratio of house prices to workplace-based earnings (median)**

- 4.6 The Council does not have access to data showing the volume of home sales in the district over time, so it is difficult to make any sort of correlation between housing market activity and the growing gap between house prices and earnings, however it is clear that nationally, and to a greater degree locally, house price growth is outpacing income growth.

## Letwin Review

- 4.7 The Letwin Review identified that the main issue affecting build-out rates was a lack of variety offered on large sites in terms of housing types, tenures and design that matches appropriately the desires of people wanting to live in each part of the country. This leads to a slow take-up or market absorption rate for residential properties.

4.8 The Letwin Review also identified other potential constraints that could affect build out rates nationally, however concluded that there was only one that could have any significant effect – the availability of skilled labour. The report states that there is an insufficient supply of bricklayers which would be a constraint on build out rates in the immediate future unless there was a move away from brick-built homes, or a significant import of more skilled bricklayers from abroad, or an implausibly rapid move to modular construction techniques.

## **S106 agreements**

4.9 The Council is currently reviewing the S106 procedure and assessing the effectiveness of CIL in comparison to S106 in maximising funding for infrastructure. Maximising funding may allow money to be spent on key infrastructure which could help unlock additional housing sites. Concurrently the Council is reviewing how S106 funds are spent and if there are any ways to improve how this money is spent.

## **Nature of development sites in the District**

4.10 Much of the housing delivered in the district in the past as well as planned housing is on large development sites which have greater build out rates and lead-in times than smaller sites, which historically have been delivered at a quicker pace. This affects the overall rate of housing delivery in the District.

## **5. Key actions and responses**

5.1 One of the key purposes of a Housing Action Plan is to identify actions that could boost the delivery of housing. Below is a series of additional actions that the Council may consider implementing alongside the adoption of the District Plan.

### **Actions already undertaken through the District Plan**

- 5.2 The adoption of the East Herts District Plan in October 2018 should have positive impacts on housing delivery in the district as new site specific policies increase certainty in relation to the delivery of large housing sites which are essential in helping the district to meet its housing needs.
- 5.3 The District Plan sets out an overall strategy for how it intends to deliver enough housing to meet needs through policy DPS2, which includes setting out a development hierarchy, allocation of sites for housing development and encouraging the limited development of new homes in the district's villages. For specific sites it sets out what is required in terms of infrastructure to support delivery of certain sites and what will be expected of developers developing these sites to ensure growth in the district is sustainable.
- 5.4 The District Plan positively plans for the delivery of over 10,000 homes during the plan period up to 2033 through site allocations, as well as an additional 6,950 homes beyond the plan period.

### **Actions and responses going forward:**

- Continue to work closely with developers on the delivery of large housing sites and continue to use pre-application services, planning performance agreements and statements of common ground where appropriate to reduce uncertainty and ensure timely delivery of sites.
- Continue to review the processing time for planning applications, particularly for smaller residential developments. This will help minimise delays in the processing of planning applications and potentially minimise delays in the implementation of planning consents.

- New S106 Officer post created which should help speed up S106 process.
- New Strategic Land Availability Assessment (SLAA) to be undertaken to identify further sites for development.
- Continue to engage regularly with key stakeholders to obtain up-to-date information on build-out of current sites, identify any barriers, and discuss how these can be addressed.
- Conduct an internal review on the use of planning conditions, and where possible minimise the use of those conditions that could lead to delays before and during construction.
- Explore options for utilising the local housing development company Millstream Property Investment Ltd to deliver new housing on Council-owned sites as some other local authorities are doing. This will however be dependent on acquisition of capital and it will require significant planning meaning that it is a long-term rather than short-term solution to building more homes. Currently, Millstream Property Investment Ltd should not be considered as a significant mechanism for increasing the number of homes in East Herts, although it has the potential to with adequate finance and Council sign off.

## **6. Further research/work to be undertaken**

- 6.1 In addition to the actions outlined in section 4 above, there are additional longer term measures and areas to investigate further which may help improve housing delivery in the District. This includes:
- Reviewing key development sites in the district's housing trajectory, including those with extant planning permission and allocated sites, and exploring the reasons why site development has not progressed as expected. This may include looking at issues relating to the ability of developers to raise finance.
  - Review the potential to encourage the use of modern methods of construction (MMCs) which have a faster rate of construction when the next Local Plan Review is undertaken. There may also be potential to combine this with Local Development Orders (LDOs) and the use of design codes on specific sites to speed up the planning process even further.

- Explore ways in which housing delivery from small sites could be encouraged and supported where appropriate.

## 7. Consultation

- 7.1 Initial Statements of Common Ground have been agreed with developers for allocated sites to agree phasing and milestones for delivery of housing. The sites allocated in the District Plan are the most significant proportion of housing supply in the District. These will be regularly reviewed and updated as discussions with developers and site owners take place.

## 8. Project management and monitoring

- 8.1 Housing delivery will continually be monitored throughout the year and reported in both the Authority Monitoring Report and through the results of the Housing Delivery Test. In assessing the effectiveness of the actions proposed, this will ultimately come down to whether housing delivery increases. Delivery in accordance with the five year land supply should improve housing delivery statistics in the district however the majority of planned housing growth is expected to be delivered in the latter years of the plan period.
- 8.2 The Action Plan will be reviewed annually unless the Council meets the requirements of the Housing Delivery Test.