

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 13 May 2019

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| Portfolio: | Planning and Development |
| Subject: | Current Position on Housing Delivery Test |
| Report of: | Director of Planning and Regeneration |
| Corporate Priorities: | Providing Housing Choices Protect and Enhance the Environment Strong, Safe, Inclusive and Healthy Communities Maintain and Extend Prosperity |

Purpose:

To provide the Executive with an update on the Housing Delivery Test, including an explanation of the figures recently announced, and a projection of anticipated results for the next five years.

Executive summary:

The Housing Delivery Test (HDT) is a new measurement introduced under the revisions to the NPPF in 2018. It is designed to ensure that new homes are built at a rate commensurate with the housing requirement. The housing requirement is based on the figures within a Local Plan adopted in the past five years, or the standard methodology for calculating housing need.

The implications of the HDT places much greater emphasis on the granting of sufficient planning permissions to ensure that a sufficient number of homes are delivered on the ground. The sanctions for not passing the HDT include losing the primacy of the Local Plan and complying with the presumption in favour of sustainable development. They apply even in a situation where the Council can demonstrate a five-year housing land supply.

Recommendation:

It is recommended that the Executive considers the report on the Housing Delivery Test and recommends that the report be shared with the Planning Committee for information.

Reason:

To provide the Executive with information regarding the Housing Delivery Test and its implications for the Authority's planning functions.

Cost of proposals:

There are no direct financial implications arising from this report. However, it is important to highlight that Officers time has been subsumed into the existing operational budgets. There would be financial implications for failing the Housing Delivery Test if the Council wanted to defend planning refusals at subsequent appeals.

Appendices: None

Background papers: None

Reference papers:

[National Planning Policy Framework](#)

[Housing Delivery Test Measurement Rule Book](#)

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Executive Briefing Paper

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| Date: | 13 May 2019 |
| Subject: | Current position on Housing Delivery Test |
| Briefing by: | Director of Planning and Regeneration |
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INTRODUCTION

1. The Housing Delivery Test (HDT) is a requirement introduced by the 2018 NPPF. It provides a percentage measurement of the number of homes that have been built over the previous three years against the number of homes required during that three-year period. The HDT is based on financial years (i.e. April-March) and reported each November, although the first results were not published until February 2019.
2. Test results are calculated and published annually by the Government's Ministry of Housing, Communities and Local Government (MHCLG). The first results covered the three-year period April 2015 to March 2018.
3. Details of how the HDT is calculated are set out in MHCLG's Housing Delivery Test Measurement Rule Book.
4. To calculate the Housing Delivery Test (%), a simple formula is followed =

$$\frac{\text{Total net number of homes delivered over three year period}}{\text{Total number of homes required over three year period}}$$

5. The number of net homes delivered is the total of all dwellings completed during the previous three years. For clarity, this is those homes that fall into the use class C3 (dwelling houses), plus a proportion of any communal dwelling completions within the C2 use class (residential institutions) such as care homes, student halls etc. The Rule Book includes a set ratio to use if C2 dwellings are to be included.
6. The figures used for the 'number of homes required' is dependent upon the status of the housing requirement in an authority's Local Plan. If a Council has adopted a Local Plan in the last five years, the housing requirement will be the number in the adopted Local Plan. In the situation where a Local Plan is over five years old, the requirement figure is the figure generated by the Government standardised methodology, which is based on household growth and affordability.
7. It is important to remember the HDT result only addresses past delivery rates.

PENALTIES

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| Housing policies in adopted plans are out of date and presumption in favour of sustainable development applies. | 75% or less with transition arrangements |
| Addition of 20% buffer to five-year housing land supply requirement | 85% or less (no transition arrangements) |
| Requirement to produce Housing Delivery Action Plan | 95% or less (no transition arrangements) |

8. The penalties for not meeting the HDT are serious in order for a local authority to continue to shape and manage development in its area. Footnote 7 of the National Planning Policy Framework (NPPF) stipulates that *'where the Housing Delivery Test indicates that the delivery of housing was substantially below (less than 75% of) the housing requirement over the previous three years'*, policies which are *'most important for determining the application'* e.g. housing policies, are deemed to be out of date and the presumption in favour of sustainable development applies, subject to the usual tests of compliance with the Framework as a whole and protection of particular areas or assets of importance, such as habitat and heritage sites.
9. This means that Councils are now being tested on delivery both retrospectively via the HDT and within the next five years (via the five-year housing land supply). In both scenarios, failure to pass the test results in a loss of primacy of an adopted local plan in favour of the presumption in favour of sustainable development leading to a more challenging environment to resist speculative development.
10. Members will note reference to a 75% pass rate in the preceding paragraph. The NPPF includes transition arrangements with respect to the pass rate in order to help prepare for the test. In order to pass the test in the first round of results (published February 2019), delivery needed to be at 25% of the housing requirement over the previous three years. This pass rate rises to 45% of the requirement for the results due to be published in November 2019, and to 75% for the results published in November 2020 and onwards.
11. The NPPF also stipulates that where the HDT results show the housing delivery has fallen below 95% of the housing requirement over the previous three years, an action plan should be prepared by the authority to assess the causes of under-delivery and identify actions to improve delivery rates. MHCLG and the Planning Advisory Service have developed guidance on developing an action plan.
12. A further penalty is introduced where delivery falls below 85% of the housing requirement across the previous three years. In these cases, the authority must apply a 20% buffer to the housing requirement in the next five years, i.e. add an additional 20% to the number of houses required to have a five-year housing land supply.

TEST RESULTS

13. The results of the first HDT were published in February 2019. The result for Fareham was 137%, based on the housing requirement in the Development Sites and Policies (DSP) Plan and the Welborne Plan which were considered to be up to date as they are less than five years old (adopted in June 2015).

Table 1: HDT results for 2015-2018

| | 2015/16 | 2016/17 | 2017/18 | Total | Result |
|------------------------|------------------|--------------------------------|--------------------------------|-------|--------|
| | Local Plan (DSP) | Local Plan (DSP plus Welborne) | Local Plan (DSP plus Welborne) | | |
| Requirement | 147 | 267 | 327 | 741 | |
| No. of homes delivered | 374 | 356 | 291 | 1,021 | 137% |

14. The above table shows the annual requirement for each year from 2015-2018 totalling 741 homes. The final row shows the actual number of homes built within the same years. This totalled 1,021 homes which equates to 137% of the requirement, against a pass level set by Government of 25%.
15. Therefore, from the first test results, the Council is not required to produce an action plan, nor to add an additional buffer to the five-year housing land supply (see paragraphs 10 and 11).
16. For information, 108 authorities in England are required to produce an action plan and 86 are required to include a 20% buffer when calculating their five-year supply. In the south Hampshire sub-region only New Forest District Council now faces a penalty, to add a 20% buffer and produce an action plan, and no authorities failed the test.

PROJECTED TEST RESULTS

17. It is possible to project forward to understand how the Council should respond to the introduction of the HDT. Table 2 sets out the requirements for the calculations and shows how delivery needs to be stepped up in order to keep meeting the requirements of the HDT.
18. The table shows how the requirement keeps increasing as the numbers in the adopted Local Plan increase and as the new figures as defined by the standard methodology are included in the calculation. For example, it shows that for the 2019 HDT, the total requirement is 941 homes, calculated using the housing numbers in the adopted Local Plan (Part 1: The Development Sites and Policies Plan).
19. Looking further ahead to 2023, the table shows that the total requirement is 1560 and the Council will be required to show completion of 75% of these homes over the preceding three years in order to pass the HDT. On average this will require 390 homes to be built each year in order to avoid the Council's housing policies being deemed out of date. It is important to remember the other sanctions of the HDT, including applying a 20% buffer to the five-year housing land supply if delivery falls beneath 85%.
20. The HDT therefore represents another metric that Members need to be aware of in terms of planning performance. The implications of failing the HDT are as severe as not having a five-year supply. Crucially however, the building of homes is not something that the Council is in direct control of, so success depends upon the granting of sufficient permissions to ensure that the required amount are actually delivered.

Table 2: Projected HDT Requirements

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total Requirement | Pass Level |
|------|------------|------------|------------|------------|------------|-----------------|-----------------|-----------------|-------------------|------------|
| | Local Plan | Local Plan | Local Plan | Local Plan | Local Plan | Standard Method | Standard Method | Standard Method | | |
| 2018 | 147 | 267 | 327 | | | | | | 741 | 25% |
| 2019 | | 267 | 327 | 347 | | | | | 941 | 45% |
| 2020 | | | 327 | 347 | 467 | | | | 1141 | 75% |
| 2021 | | | | 347 | 467 | 520 | | | 1334 | 75% |
| 2022 | | | | | 467 | 520 | 520 | | 1507 | 75% |
| 2023 | | | | | | 520 | 520 | 520 | 1560 | 75% |

* Pass requirement below which presumption in favour of sustainable development applies as development plan policies considered out-of-date.

21. It is important to note that the number shown in table 2 for the housing requirement based on the standard methodology may change. This is because it is based on household projections which are updated by the Office for National Statistics every other year, and an affordability uplift based on a ratio between house prices and average earnings which is updated every year. In addition, the Government has suggested that it may review the methodology itself. Therefore, the figure presented here may change.
22. It is also worth noting that according to the recently published Local Development Scheme, the Council should have a new Local Plan adopted in early 2021. Once the Council achieves this, the HDT will measure success against the new Local Plan's housing requirement for a period of five years.
23. Table 3 sets out the known information on delivery rates to date and the notional remaining requirement in future years.

Table 3: Delivery

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total | Total Requirement | Requirement Remaining |
|------|---------|---------|---------|---------|---------|---------|---------|---------|-------|-------------------|-----------------------|
| 2018 | 374 | 356 | 291 | | | | | | 1,021 | 741 | -280 |
| 2019 | | 356 | 291 | 320* | | | | | 967* | 941 | -26* |
| 2020 | | | 291 | 320* | ? | | | | ? | 1141 | 530* (1 yr) |
| 2021 | | | | 320* | ? | ? | | | ? | 1334 | 1014* (2 yrs) |
| 2022 | | | | | ? | ? | ? | | ? | 1507 | 1507 (3 yrs) |
| 2023 | | | | | | ? | ? | ? | ? | 1560 | 1560 (3 yrs) |

*All figures asterisked assume estimated completions for 2018/2019 = 320 dwellings

24. For the 2019 HDT the target is 941 homes to be built between 2016/17 and 2018/19. Monitoring data shows that there were 647 dwellings completed in 2016/17 and 2017/18. Therefore, the remainder required to reach the desired 941 is 294 homes. Current estimates indicate that 2018/19 completions will be at 320 dwellings indicating that the Council should achieve over 100% pass rate again this coming year. This will be confirmed once the monitoring data is received from Hampshire County Council and verified.

IMPLICATIONS FOR PLANNING SERVICES

25. However, the table also highlights the step change required in terms of delivery to meet the requirement in future years. Taking the 2020 results as an example, the target is 1141. Monitoring data shows that there were 291 homes built in 2017/2018 so together with the estimates from 2018/19 approximately 511 homes have already been built that

can count towards this target. **This means that in order to reach the target of 1141, approximately 530 homes need to be built in this financial year, 2019/2020** (as shown in the final column). In a borough where past trends show approximately 300 homes are built each year, this is a large increase. Clearly, there is a time lag in terms of granting permission to completed houses on the ground, normally of two to three years. This means that whether 500 homes are built this year relies heavily upon permissions that have been granted in previous years.

26. Taking this concept forward, the permissions that are being granted now will result in homes being built in years 2020/21 and beyond. This highlights the important role of the Council's Planning function in granting sufficient permissions to ensure that in future years the delivery of those houses is at a rate high enough to satisfy the delivery test. The final column indicates the volume of housebuilding required to meet the total requirement over the number of remaining years, shown in brackets.
27. For these reasons, it is a recommendation of this report that the information contained within is shared with all services and committees that support the planning function and the delivery of housing in the borough. Planning Committees have traditionally received regular updates on the Council's five-year housing land supply position but given that the sanctions for the HDT are the same and apply even in a situation where the Council can demonstrate a five-year supply, greater cognisance of the HDT will prove beneficial to the Council's continued ability to manage development proposals in the borough.
28. The Planning and Development Scrutiny Panel will consider the current position on Housing Delivery Test at its meeting due to take place on 10 May 2019. Any comments made by the Panel will be collated and tabled at the meeting for consideration by the Executive.

Enquiries:

For further information on this report please contact Claire Burnett, Head of Planning Strategy and Regeneration. (Ext 4330)