

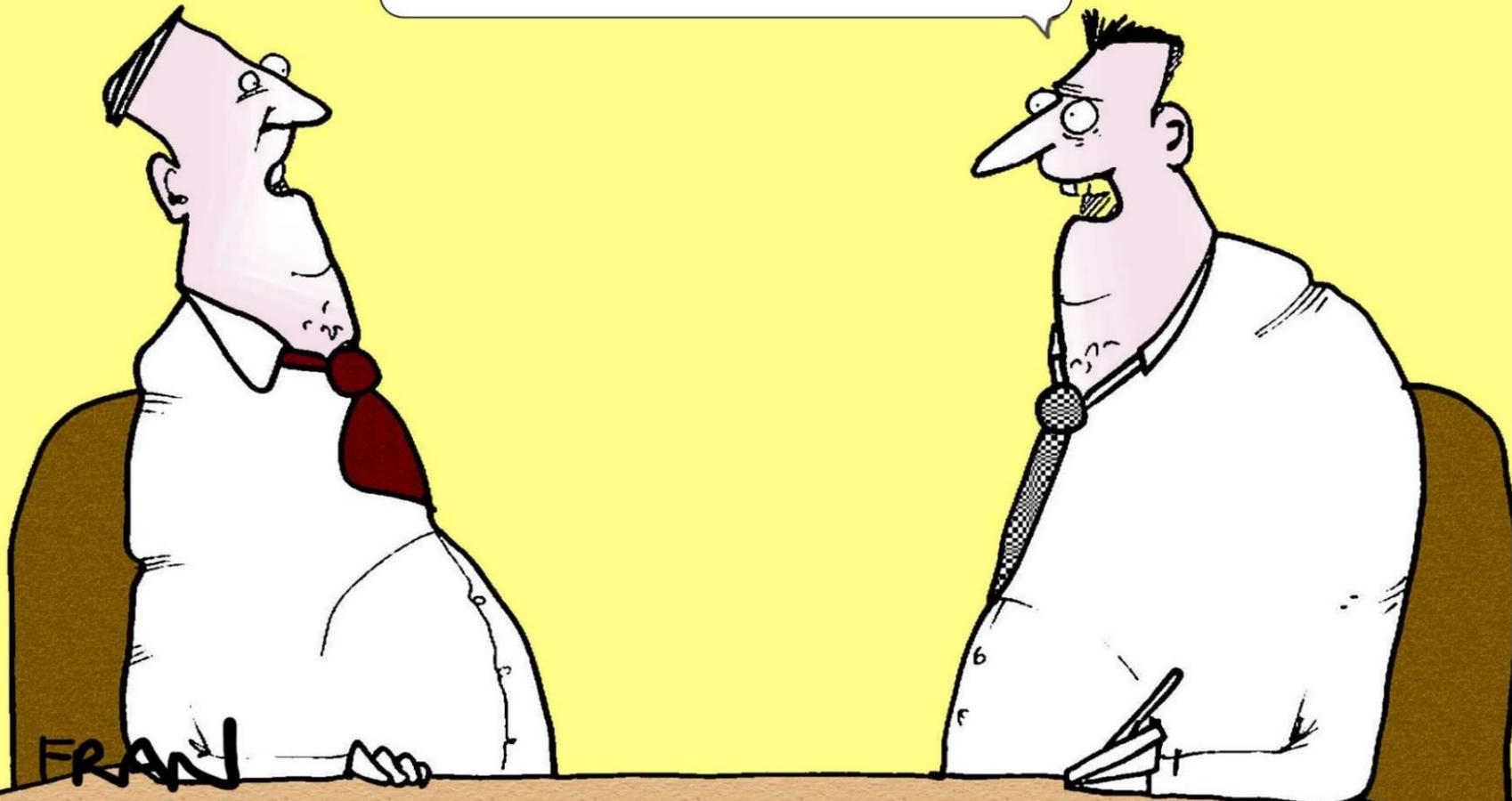
# The Housing Delivery Test , Passes, Fails, Consequences

**Christina Howick**  
**Peter Brett Associates**

MHCLG IS believes in a carrot and stick approach to motivation...

So what's the carrot?

Not to use the stick!



# Facts

# The test

- Introduced in the new NPPF
  - September 2018
- Another measure to boost housing supply
- Applies from November 2018
  - The day after
- The ratio of
  - Net additional homes in previous three (financial) years
    - As per Live Table 122
    - Plus adjustments for communal accommodation
  - To housing requirement
  - Or housing need plus x-boundary unmet need
    - The lower of the two
      - In transition period till 2021
      - Need shifts from official projections to Govt's standard number
        - (Out-of-date projections for some reason
        - Just to complicate things and spite the experts?)

# The sanctions

- If delivery / falls below...
  - 95% > LPA must publish an action plan
  - 85% > 20% buffer applies to five-year land supply
  - 75% > tilted balance applies
    - NPPF para 11 applies
      - *'Policies most important for determining the application are out of date'*
    - In effect it's planning by appeal
- The action plan doesn't sound too painful
  - Authorities should work with stakeholders
  - There's no requirements about the content
- The 20% buffer replaces 'persistent under-delivery'
  - A crisper definition
- The tilted balance is the big stick
  - It's subject to transitional arrangements
  - The threshold rises in two steps
  - From 25% in 2018 to full-strength in 2020

# **Consequences and responses**

# Local authorities

- It's hard to predict
- On the Sep 2017 standard numbers
  - By the time the test bites fully
  - Tilted balance could apply to 40% of authorities
  - A huge amount of planning by appeal
  - What happens to the plan-led system?
- Mainly the usual suspects
  - High-demand areas in Southern England
- But it's not just them
- Standard need doesn't mean the market will deliver
- The affordability uplift does respond to market pressure
- But the projections are a bit of a lottery
  - See how much the geography changed
  - Between 2014 and 2016 projections
  - There's always glitches in the modelling

# Local authorities continued

- In relatively low-demand areas
- Standard need often exceeds what the market will deliver
- The problem is not lack of planned supply
- And not necessarily viability
- It's lack of demand
- You could argue they're allocation the wrong sites
- More greenfield allocations would bring more demand
- Up to a point, Lord Copper
- And at the expense of more sustainable sites?
- The problem is, planning authorities don't build houses
- Developers do
  - From the guidance on action plans you'd never know
- So where planning is not the obstacle
- Punishing planners won't get more houses built
- But it may get the wrong sites developed



# Quotes

## The industry

*'[The test] appears to be the key monitoring tool for the Government to incentivise local councils to build the homes they need.'*

*'The HDT will have an immediate impact and is likely to be increasingly powerful in years to come, unless councils can step up to the challenge. How councils respond to this challenge will be important. Are they prepared for such a test?'*

## Planning authorities

Responding to the Government's announcement on changes to the National Planning Policy Framework, Lord Porter, Chairman of the Local Government Association, said:

*'It is hugely disappointing that the Government has not listened to our concerns about nationally set housing targets, and will introduce a delivery test that punishes communities for homes not built by private developers.'*

# Fighting back: some solutions

- More effective monitoring
  - Dedicated officers and smart databases
  - ‘Root causes’ analysis
- Positive development management
- Release Council-owned land
- Active promotion – prospectuses, websites, engagement
- Oversupply land against requirement
- Survey housebuilders – what is holding you up?
- Show love to small builders
- Review Local Plan
- Allocate sites where people want to live
- Place-make at sites where planners want people to live
- Plan for varied range of locations and house types
- I can't find any magic answers

# Developers

- Some housebuilders and some promoters welcome the test
  - Brings more opportunities for speculative applications
    - Just like 5YLS test does now
    - (though 5YLS will be simpler going forward)
  - More applications will be weighed in the tilted balance
  - Disregarding Local Plan strategies
- Others don't
  - Large strategic sites are best promoted through Local Plans
  - Delivery needs true partnership between LPAs and developers
  - So they both have the same to lose and gain
  - Planning by appeal is a zero-sum game
  - Not good for positive planning?

# Process

- Supply side is much simpler than 5YLS test
  - Delivery is a clear fact
  - ‘Deliverability’ is all guess and speculation
  - Hence much less room for argument
- But
  - The requirement / need side is complicated
  - Multiple data sources tangled in the transition
  - Now we know the standard method will be revised
  - It all gets much worse
  - Anyway requirement and need will keep changing
  - Even if the formula stays fixed
  - Because projections get updated every two years
- And another thing
  - Do we really need both tests?
  - Overkill?
  - If you know you’re failing one of them
  - Will you have any incentive to meet the other?

# Process continued

- But the main issues is control, again
- ‘Persistent underdelivery’ leaves room for judgment
  - If she thinks underdelivery was due to the recession
  - Or lack of demand locally
  - The Inspector will not increase the buffer
  - She knows it’s not the Council’s fault
- But the new test is automatic
  - If there’s underdelivery the sanctions will apply
  - Doesn’t matter what the reason is
  - Or if there’s anything the Council can do
  - No one’s asking
    - Some action plans may say the market is the problem
    - If they do, so what?

# Conclusion

# The delivery test

- How important is it?
  - Very
- Will it get more houses built?
- I think yes
  - Though not as many as the Govt thinks
  - Weak demand and some supply constraints can't be helped
  - Cherry-picking the most attractive sites won't lift the total
  - So many authorities will fail the test
- And at what cost?
  - Plan-led system much weakened
    - Much more opportunity for spec applications
    - As failing the test tilts the balance
    - Result: more development in the wrong places
  - Plan-making more difficult
    - As 'needs' and requirements will keep changing

# A better way – some ideas

- More carrot, less stick
  - Reward growth with infrastructure funding
    - Seems to work
    - Oxfordshire got £200m in exchange for many houses
  - Don't punish Councils for what isn't their fault
    - Bad planning should be punished
      - No plan, insufficient or bad sites allocated, slow processes etc
    - Market failure is nothing to do with planning
      - You need other measures to fix it
      - (What will the Letwin review recommend?)
- Less change
  - Fix housing numbers for five years
- Larger-than-local planning
  - No mechanical formula can produce right numbers for everywhere
  - Qualitative factors must come into it
  - Needs regional / sub-regional planning
    - Where you pool need over large areas
  - The current Housing Minister is all for it
    - He says it's one of his missions



## Councils should plan strategically on regional or county level, says housing minister

3 October 2018 by John Greggahan

The government wants local authorities to come together in 'regional groupings' and prepare strategic plans in return for Whitehall infrastructure funding, the housing minister has said.



**Thank you**

**chowick@peterbrett.com**