

# Annex 1: Housing Delivery in Thanet Discussion and Background Paper



## 1. Executive Summary

This paper considers issues relating to land allocations on greenfield land, the impact of the housing delivery test on our ability to control development and the urgent need for affordable homes.

The starting point is already set out in our strategic documents:

- Overall requirement for 17,140 (857 p.a.) homes in the current plan, and 21,700 if extended to 2040
- The need for 548 affordable homes per year. Representing between 39% (based on delivery projections) and 47% (based on the needs study) of all delivery.

But where do these numbers come from:

- The total requirement is based upon the 2014 ONS population projections, taking into account inward (and outward) migration.
- Using the 2018 projections reduces the number of homes needed 2031 to 2040 from 1,085 p.a. To 953 p.a. Over the plan period this amounts to around 2,500 homes.

### 1.1 Housing Delivery:

In the 11 years from 2011 to 2021 Thanet has seen 3,716 completions, a further 1,892 starts and 3,732 with planning consent. That's 9,340 or 54% of the 20 year requirement.

If these had all been delivered Thanet would have met the Housing Delivery Test (HDT) every year.

But the HDT only works on completions and the report shows where Thanet is against the delivery timeline set out in the Local Plan, if we only look at completions. It shows a significant step up in the number of completions required to stay inline with the local plan and HDT between 2021/22 and 2030/31.

The HDT focuses on the Local Planning Authorities's role in the process and not the part played by the development industry, which are often working to a different set of economic drivers.

The implications of not meeting the HDT are effectively an increased loss of control over development in the district, with:

- The need to publish an action plan,
- A 20% buffer to the 5 year land supply, and

- A presumption in favour of sustainable development.

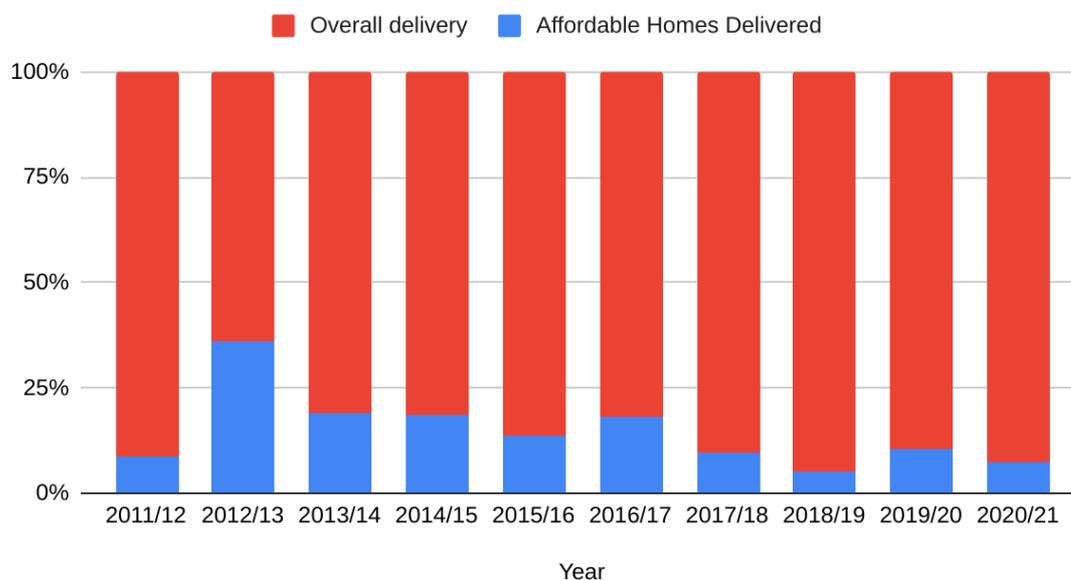
The report sets out the HDT outcomes for Thanet since 2018.

## 1.2 Affordability:

The report includes links to previously published data from the council's housing strategy about affordability. It includes average earnings and housing costs data to demonstrate the level of need for affordable homes.

Between 2011 and 2021 Thanet saw 611 affordable homes delivered, well below the 548 p.a. needed each year. In context, 611 affordable homes since 2011 is only 16% of all the new homes delivered in the district in this 10 year period. The need is closer to half of all delivery.

### Affordable homes delivered as a percentage of overall delivery



Section 6 also shows a yearly breakdown between the council's own development programme and the programmes of other providers of affordable housing. Over the past 7 years the council has been a major provider of affordable homes, through its own programme.

There is some good news, as we are set to see an increase in new affordable homes to 120 in 2021/22 (figures yet to be published) and to 218 for 2022/23. This is still not enough though to come even close to the 548 needed every year to meet the HDT.

## 1.3 Viability:

Why do we see affordable housing deliveries so far short of what is needed:

- A national focus on market led housing and affordable homes through section 106.
- A development industry with limited appetite to deliver at the pace required.
- Financial viability issues.

- Inadequate public funding and a straight ‘no’ to social housing grant on section 106 affordable homes.
- The inability of many affordable housing providers to access land without working in partnership with market housing developers, meaning that the pace of delivery of affordable housing is largely determined by the pace of delivery of market housing.

When affordable homes are negotiated down based on viability, Thanet loses both the homes and access to the land for affordable homes. Access to suitable land is a significant barrier.

To overcome these, the paper proposes a number of asks of government, aimed at:

- Better balancing the number of new market and affordable homes with the needs of the Thanet community.
- Refocusing the HDT so that it addresses issues within the development industry.
- Improving funding for affordable homes and access to suitable land.
- Seeking infrastructure funding for key requirements so that these costs don’t further push down affordable housing numbers.

## **2. Introduction**

The housing requirements for the district are set out in the Local Plan to 2031. This Plan, formally adopted in July 2020, sets out the requirement for 17,140 new homes over the 20 years from 2011 to 2031.

The Local Plan, and the council’s Housing Strategy also set out the requirement for affordable homes over the same period, based on an assessment of local needs. These needs are set out in the council’s published Strategic Housing Market Assessment, most recently updated in 2020 as the Housing Needs Update (GL Hearn), which identifies a need, based on data about the current district population, for 47% of all new homes to be affordable. It details a need for 548 affordable dwellings per annum, over the period from 2020 to 2040, and takes into account the 611 affordable homes already delivered between 2011 and 2020. This makes a total need of 6,639 affordable homes or 39% of the 17,140 set out in the Local Plan. In reality, only 16.4% of homes delivered over the past 10 years have been affordable.

This paper sets out the progress that has been made in delivering these homes and identifies a number of barriers to delivery. It further sets out a number of asks of central government, designed to better align future local plans and future housing delivery with the need for new homes in the district.

## **3. Calculation of Housing Numbers**

Government Guidance (see background document 1) sets out the “standard method” for determining a local housing need figure. This is a “policy-off” figure; that is, it is based solely on a calculation of housing need, and does not take account of other policy considerations.

There are four stages, but only the first two apply to Thanet:

- 1) Set the baseline using (2014-based) national household projections - this is based on population data from ONS, with projected household changes applied; and
- 2) Affordability adjustment - this takes account of local wages and house prices to determine a ratio of affordability to be applied to the baseline figure.
- 3) *“Cap” on any increase above 40% from the previous requirement; and*
- 4) *Cities and urban centres uplift - a 35% uplift is applied for those urban local authorities in the top 20 cities and urban centres list.*

In Thanet's case, the calculation is as follows:

- 1) Households per annum = 804
- 2) Affordability adjustment = 35%

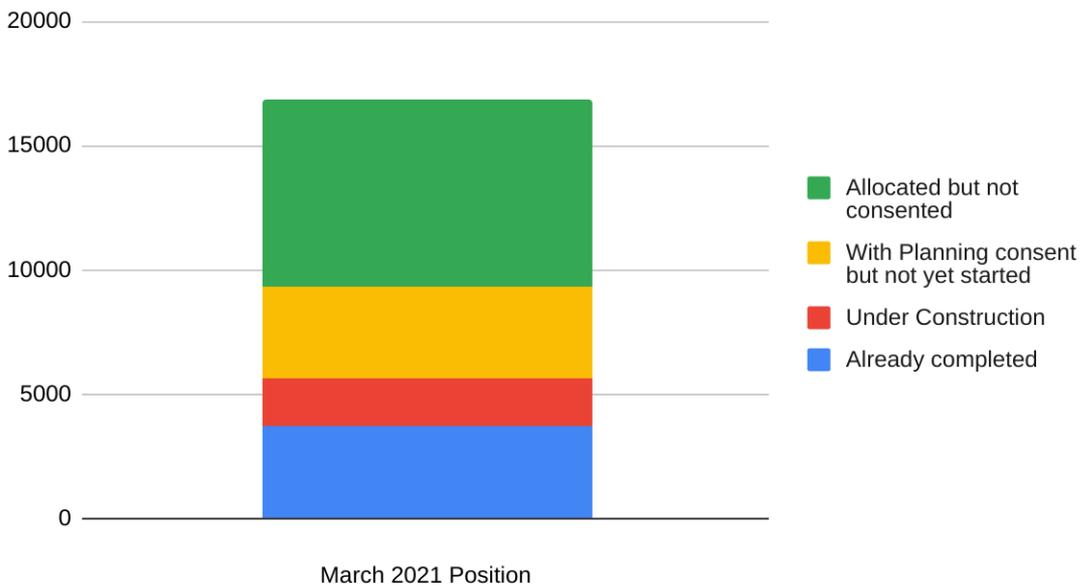
This gives a total of 1,085 dwellings per annum, or 21,700 dwellings between 2020 and 2040.

There are more recently published national household projections that would produce slightly lower housing figures. However, the Government has argued that these are not a true reflection of need. The Planning Practice Guidance states that the 2014-based household projections *“are used within the standard method to...ensure that historic under-delivery and declining affordability are reflected”*. In the Housing Need Update report, GL Hearn indicate that using the 2018-based household projections would probably reduce the annual housing need to 953 units.

## **4. Housing Delivery 2011 to 2021**

Over the period 2011 to 2021, Thanet saw the completion of 3,716 dwellings, with a further 1,892 under construction on site as at 31 March 2021. Of the remaining 11,532, a total of 3,732 had not been started on site but did have a planning permission in place at 31 March 2021 (2743 with outline and 989 with full or reserved matters consent).

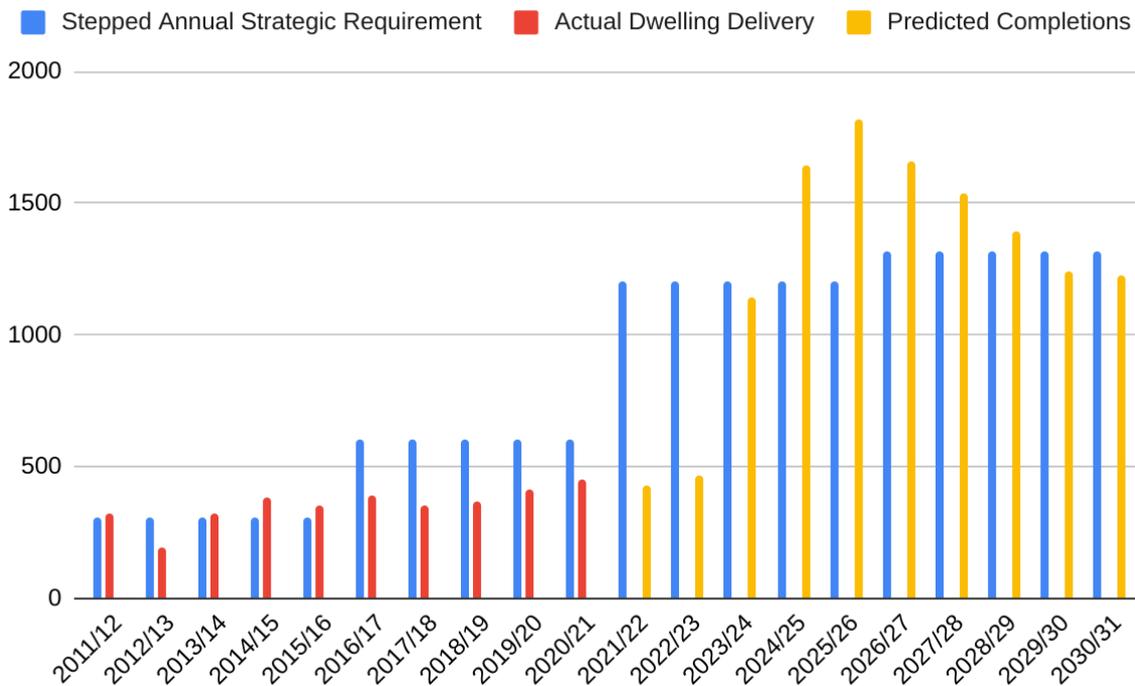
## Housing Allocations, Consents and Completions



The chart above shows a breakdown of homes, based on their stage through the process of allocation, planning consent and construction. The remaining balance, shown in green above, are planned for sites already allocated in the local plan but not yet consented.

These figures include an element of “windfall” consents, based on historic delivery rates, in accordance with current guidance. “Windfall” consents are those which arise through planning permissions on unallocated sites, and historically, these have made a significant contribution to Thanet’s housing land supply (about 225 units per annum).

The following table shows the delivery progress made between 2011 and 2021, when compared to the local plan projections and the homes that will need to be delivered over the remaining period to 2031 to meet the targets.



The table shows that the district has not met the target number of homes to be delivered in any year since 2015/16 and by 2021 had an accumulated shortfall of 839 completed dwellings. If even a quarter of the homes consented but not started had been delivered during this period there would have been no shortfall.

It should be noted however, as shown by the blue columns in the chart, that the local plan sets out a stepped approach to delivery, with a significant increase in the rate of new homes during the later years of the plan. If delivery had been planned as a flat line over the plan period, it would have equated to 857 homes per annum. At this rate the shortfall over the first 10 years would have been 4,854. But, with 1,892 under construction and 3,732 with planning consent in place, even this larger figure could have been delivered if development activity had kept pace with planning activity over the 10 years.

What is clear from this chart is that the rate of construction of new homes needs to more than double from current levels if the district is to see the homes set out in the plan delivered. More than half of the remaining homes to be delivered are already actively engaged with the planning service, which has enabled the council to project delivery forward to 2031. However, it is not at all clear that house builders and developers will deliver on the ground at this rate.

## 5. Housing Delivery Test

The Housing Delivery Test Measurement Rule Book (see background document 2) was published in July 2018 updated February 2019, and sets out the method for calculating the Housing Delivery Test result. This also confirms the publication of results in November each year.

The housing requirement is defined as either that identified in a recently adopted Local Plan i.e. where the plan is less than 5 years old; or by application of the standard methodology where there is no adopted local plan or the plan is out of date (more than 5 years old).

From the day following publication of the Housing Delivery Test measurement, where delivery of housing for the previous 3 years has fallen below the housing requirement, certain policies or consequences, as set out in the National Planning Policy Framework, will apply.

These are where delivery falls below:

- 95% - the authority should publish an action plan;
- 85% - then a 20% buffer (increase) should be applied to the local planning authority's 5 year land supply AND an action plan must be produced;
- 75% - then the application of the presumption in favour of sustainable development AND the application of a 20% buffer AND an action plan must be produced.

Therefore these consequences apply concurrently.

The NPPF (2021) sets out an exception to applying the presumption, in paragraph 182, where there is likely to be a significant impact on designated habitat sites including SSSI, SPA, SAC, Ramsar. This states that:

“The presumption in favour of sustainable development does not apply where the plan or project is likely to have a significant effect on a habitats site (either alone or in combination with other plans or projects), unless an appropriate assessment has concluded that the plan or project will not adversely affect the integrity of the habitats site.”

The HDT results and consequences for Thanet for the last 4 years are as follows:

<b>Year</b>	<b>Percentage of requirement</b>	<b>Consequence</b>
HDT 2018	44%	20% buffer (See appendix 1 for 2019 Action Plan) Presumption
HDT 2019	51%	20% buffer Presumption
HDT 2020*	54%	20% buffer (See appendix 2 for 2020 Action Plan) Presumption
HDT 2021*	78%	20% buffer Action plan

\*Requirement for these years was reduced by 1 month and 4 months respectively by DLUHC to reflect the impact of covid on housing delivery

The HDT is predicated on the assumption that local planning authorities are uniquely responsible for housing delivery. No other organisation in the development process is subject to any form of test or sanction for not achieving the necessary delivery rates. In fact, the HDT contains a perverse incentive to not bring forward all the land allocated in a timely way. Not only is there no sanction, but because the "presumption" might be applied, sites which were not allocated through the Local Plan process might be allowed at appeal.

Neither does it take proper account of the delivery issues experienced in different parts of the country, many of which cannot be solely addressed by local planning authorities. While HDT did make allowance for the impact of the COVID pandemic, there is no recognition of environmental and infrastructure constraints, or the market weaknesses that many areas face and which affect viability and the delivery of affordable housing and key infrastructure.

In areas with relatively lower values and consequently more challenging viability issues, the idea that adding a 20% buffer to the 5 year land supply would somehow boost supply is flawed.

## **6. Affordable Housing Delivery**

As identified above the district needs to see the delivery of 548 affordable homes each year to match current and emerging housing needs of the district. Although average house prices in Thanet are lower than other areas of Kent and the South East, when compared to local average household incomes there remains a significant affordability gap and many local households are unable to afford to buy or rent in the market.

The council's Housing, Homelessness and Rough Sleeping Strategy, published in March 2020, identified 19,471 households or 29% of the population are on a low income, which is defined as less than £15,988 per annum. On average, earnings are £462.50 per week which is within the bottom 20% of the whole of England. The strategy also identified that more than 80% of the population in Thanet, cannot afford to buy an averagely priced terraced house.

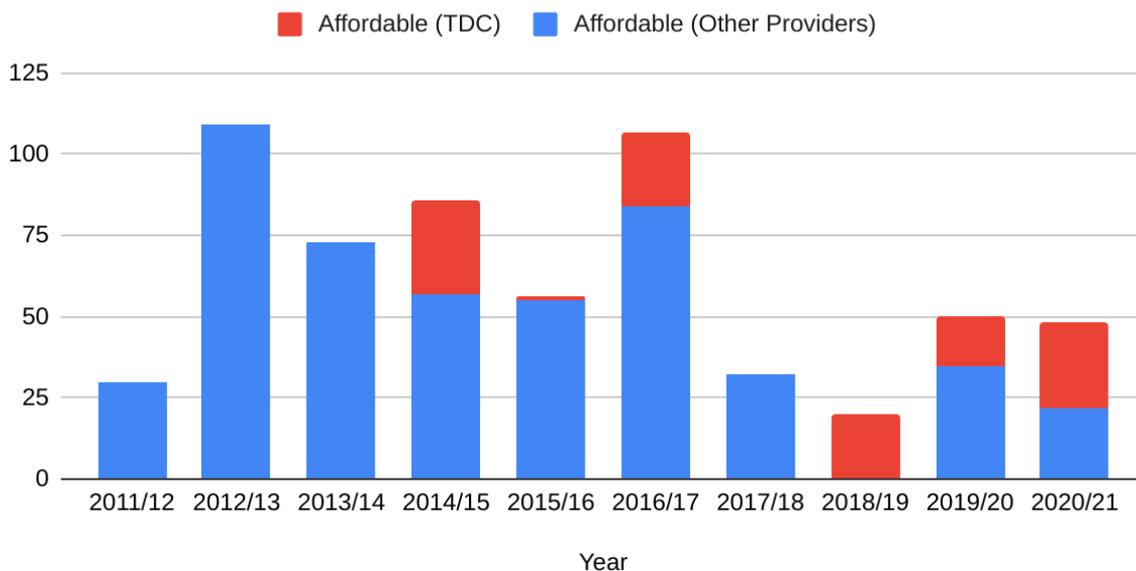
Similarly, in the private sector, on average tenants are spending over 50% of their earnings on living costs. The median income for Thanet is £25,000 and to be affordable, the National Housing Federation identifies that only 30% of income should be spent on housing costs. For all property sizes, with the exception of 1 bedroom flats, rents levels are above this benchmark. For private sector tenants in receipt of Housing Benefit or Universal Credit the situation is stark, with the 30th percentile rent (the previous benchmark for setting the Local Housing Allowance (LHA), which determines the level of Housing Benefit) being £170.78 per month above the LHA rate for a two bedroom home and £298.53 per month above the LHA rate for a 3 bedroom home. According to figures published by Shelter in July 2022, the average shortfall for a 2 bedroom home in England is £45.58 per month.

There is further detail set out in the full strategy on the council's website. An extract covering the affordability of housing is attached at appendix 3. The council has also published a series of recent fact sheets with information about affordability both of market renting (appendix 4) and owner occupation (appendix 5).

The figures above are based on the position in March 2020, when the strategy was published. Recent increases in inflation, particularly fuel and food costs, and increased demand in the private rented sector as a result of COVID-19, have resulted in these affordability gaps increasing, and we anticipate the position to deteriorate further in the coming months. Currently there are around 1,600 households on the council’s housing register in housing need, and around 1,000 homeless applications each year.

The chart below shows the number of affordable homes that have been delivered by all providers over the past 10 years; well below the 548 needed. In the later years, the council has been a major provider of new affordable homes. The figures include all forms of affordable homes, for example social rented, affordable rented and shared ownership.

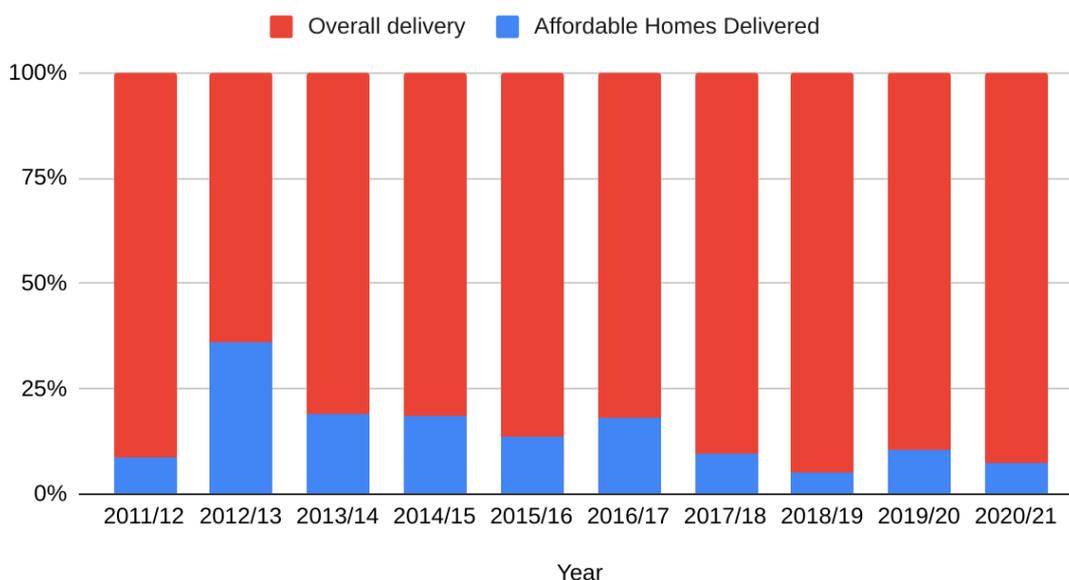
### Affordable Homes Delivered, Affordable (Other Providers) and Affordable (TDC)



Over the coming 2 years, the delivery pipeline for affordable homes is improved from the previous 10 years, with expected delivery of 126 affordable homes in 2021/22 and 314 affordable homes in 2022/23. An improving picture, but still less than the 548 annual delivery requirement .

The chart below shows this delivery as a proportion of all homes delivered. In total, only 16.4% of all homes delivered in the district over the past 10 years have been affordable. This is compared to the identified need for 47% of all homes delivered to be affordable, and the Local Plan target of 30%; reduced from 47% based upon the findings of viability appraisal work completed on the draft local plan.

## Affordable homes delivered as a percentage of overall delivery



With the adoption of the Thanet Local Plan 2020 in July 2020, the threshold for provision of affordable housing on housing developments was reduced from 15 units to 11 units. This means that more planning applications will be required to provide affordable housing under Policy SP23, which will capture more affordable units as a proportion of housing delivered going forward. The council has also adopted an Interim Policy Statement on First Homes.

These figures demonstrate the scale of the imbalance in local delivery, and reflect a more widespread issue nationally. In 2019-20 243,770 homes were delivered nationally, of which 57,644 (23%) were affordable. Nationally, 2020-21 saw a 16% drop in affordable housing starts as a result of the COVID-19 pandemic.

Thanet's relatively low market housing values disproportionately impact on the level of affordable housing achievable, and perversely leads to a position where areas with the highest levels of deprivation are least able to secure the affordable homes needed. An improved regional approach to planning, not achievable through the 'duty to cooperate', could potentially help to tackle some of the disproportionate impacts of variations in market values on delivery rates and enable a greater range of options for allocating land in areas where delivery can be achieved. More regional strategic planning may however also dilute local control, particularly in relation to land allocations.

## 7. Financial Viability and Land Issues

There are a number of mechanisms in place to bring forward development of affordable homes. In recent years, the council's own affordable housing programme, funded with a mixture of Housing Revenue Account capital resources, retained Right to Buy receipts and Homes England grant has seen around 180 homes built or acquired. Although Housing Associations' development partners have seen fewer developments over this period, the district does now have a pipeline of affordable housing led housing association

developments coming forward. There are a number of significant limiting factors that restrain council or housing association led development, which include:

- Access to suitable land for development. Land available for affordable housing led development is limited. Strategic housing allocations largely already have identified developers, with either an ownership interest or an option agreement in place.
- Capacity of council and housing association business plans to sustain borrowing for match funding.
- Availability of Homes England Affordable Housing grant. As well as the overall size of the national grant funded programme, the grant rates available are also a limiting factor and prevent affordable housing providers from realistically competing with market house builders for the acquisition of suitable sites.

If we are to get anywhere close to the number of affordable homes required, with the current delivery options available, the number of affordable homes provided by the private sector, through section 106 planning agreements on housing market led sites will need to significantly increase. There are two main barriers to increasing the number of affordable homes delivered in this way:

- Viability. The local plan policies require the provision of 30% affordable housing on all qualifying sites unless there is a demonstrable viability reason why this cannot be achieved. In practice, developers frequently present viability assessments that argue for a reduced, or zero, provision of affordable homes. Affordable housing provision is competing with a wide range of other funding demands through section 106 agreements, including transport, environmental, education and health provision and other infrastructure requirements, and too frequently is the main focus of these negotiations. Although these assessments are robustly scrutinised and challenged, the figures clearly show that the council is not able to secure the affordable homes required using this policy, with the current funding arrangements for housing delivery.
- Slow pace of market delivery. The figures presented in this paper clearly show the slow pace of delivery against the local plan trajectory, and highlight the number of homes consented that have not been completed. The current national emphasis on market-led development, means that house builders' business plans and shareholders dictate the overall pace of delivery in a way that best suits their business needs, rather than best delivers homes to meet local housing needs.

The Housing Delivery Test focuses attention on the role of Local Planning Authorities in the delivery of homes, and penalises council's with slow delivery through the imposition of the 20% buffer and a presumption in favour of sustainable development. The adoption of the Thanet Local Plan during 2020, including the allocation of sites to meet needs up until 2031 and the number of consented but not completed homes all challenge the assumption behind the housing delivery test that the performance of the Local Planning Authority is the determining factor in the pace of housing delivery. The allocation of further sites in the review of the Local Plan up to 2040 is unlikely to improve the outcomes for Thanet with the existing HDT mechanism and would likely result in the continued imbalance between housing delivery and local need over the longer period.

To be effective the Housing Delivery Test would need to broaden its scope to the wider development industry and introduce new penalties for landowners, agents and developers that are failing to deliver the homes needed.

## 8. Proposed asks of Government

The purpose of this paper is to identify some of the key determining factors in the pace of housing delivery, particularly in respect of affordable housing, and to propose some potential solutions.

The paper has identified a number of key factors, including:

- The drivers for market housing developers and a lack of market appetite for faster delivery.
- The restricted local financial viability for market led housing sites to deliver policy compliant proportions of affordable homes without public subsidy.
- The inability of affordable housing providers to effectively compete for suitable sites for development.
- Inadequate affordable housing grant funding to support a programme of affordable house building at the scale required.

The paper also identifies that allocating further sites for housing in the coming review of the Local Plan will not help address the delivery shortfalls, and particularly will not help accelerate the delivery of affordable homes. Using the 2018 population projections would result in overall housing numbers reducing for the period 2031 to 2040. This could increase the prospects of the council meeting the HDT requirements over this period and give greater control over where homes are delivered, with a focus on deliverable, viable and policy compliant sites.

To address these, we ask the government to consider the following:

1. Greater opportunity for regional strategic planning; This could create the opportunity for deliverable, viable and policy compliant development in identified growth areas, including possible new town or new settlement options. The current duty to cooperate doesn't give a sufficiently robust mechanism for planning for housing needs, job creation and social and physical infrastructure across multiple districts.
2. Changing the housing requirement calculation to use the 2018 census-based population figures, so that housing numbers better reflect local need.
3. Change the housing delivery test to a housing planning permissions test for local planning authorities, meaning that Councils would be judged on the planning part of the housing delivery process that they actually control, and remove sanctions on local planning authorities for failure to meet HDT test if sufficient number of planning permissions for housing to meeting the projected number have been granted in the same 3 year period.
4. Introduction of new sanctions for land owners, developers and land agents who fail to bring forward allocated and consented sites for development. This could be in the form of a local taxation based upon the deficit in council tax collection caused by non-delivery of housing. The funding could be used to support local affordable housing delivery.
5. A new designation of Affordable Housing land so that affordable housing providers are more able to compete for land acquisition with developers and housebuilders.

This could apply to both portions of larger strategic sites or smaller affordable housing only development sites.

6. Potential use of compulsory purchase powers for affordable housing delivery, with values set to reflect the tenure of housing delivered, where owners of allocated sites do not release them for development or have unrealistic expectations about value. CPO powers do come with cost implications, and resources to match any CPO commitments would be required.
7. Properly funded national programme of affordable housing delivery that is reflective of the scale of needs locally and nationally, with increased grant rates to enable providers to compete for available land.
8. Funding for infrastructure, such as the Major Road Network (MRN) should be allocated according to identified need (not a competitive bidding process that inevitably leaves some areas, particularly those with the least ability to raise match funding, without key infrastructure to support new development). Funding for infrastructure in areas of low viability should be in the form of grants and not loans, as loans do not overcome the fundamental viability challenges.
9. An urgent review of the Thanet Local Housing Allowances to realign the values with the 30% percentile of local private sector rents.

## Appendices:

1. Housing Delivery Test Action Plan 2019: [Link](#)
2. Housing Delivery Test Action Plan 2020: [Link](#)
3. Housing, Homelessness and Rough Sleeping Strategy: Affordability Challenge and Supply: [Link](#)
4. The Rental Market Fact Sheet: [Link](#)
5. The Sales Market Fact Sheet: [Link](#)
6. First Homes Interim Policy Statement: [Link](#)

## Background Links:

1. Government Guidance: **Housing and economic needs assessment** - <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>
2. **Housing Delivery Test Measurement Rule Book** - <https://www.gov.uk/government/collections/housing-delivery-test>