
Housing Delivery Test - Action Plan

May 2019

Contents

1.	Introduction	3
2.	Relationship to other plans / strategies and Council activities.....	4
3.	Housing delivery analysis.....	6
4.	Grantham urban extensions and barriers to delivery	15
5.	Root Cause Analysis.....	27
6.	Action Plan	28

Prepared By: Dale Robinson

Status: Final Report

Draft Date: May 2019

For and on behalf of GVA Grimley Limited trading as Avison Young

1. Introduction

- 1.1 The Government is committed to the improved delivery of more new homes nationally through their economic and housing growth agendas. To this end they have introduced a number of measures and reforms to the planning system intended to deliver more housing, improve housing affordability and remove barriers to development. Local Planning Authorities have now been challenged to be more proactive in increasing the speed and quantity of housing supply to meet the identified housing needs of their local area.
- 1.2 To this end, the Housing Delivery Test (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, which was introduced through the Governments White Paper - Fixing our broken housing market, compares the number of new homes delivered over the previous three years with the Councils housing requirement. The HDT will be used to determine the buffer to apply in housing supply assessments and whether the presumption in favour of sustainable development should apply. Under the HDT:
- Where housing delivery over the previous three years has been less than 95% of the housing requirement, Local Planning Authorities should prepare an action plan setting out the causes of under delivery and the intended actions to increase delivery;
 - Where delivery has been less than 85% of the housing requirement a 20% buffer should be applied to the supply of deliverable sites for the purposes of housing delivery assessment; and
 - Where delivery has been less than 75% of the housing requirement, the NPPF's presumption in favour of sustainable development will apply.
- 1.3 In February 2019 the Government published the first HDT results, which identified South Kesteven as achieving 81% of its housing requirement. This means the Council need to plan for a 20% buffer and set out an action plan for how they intend to increase delivery across the District.
- 1.4 South Kesteven District Council (the Council) is responding to this challenge and has the ambition, recognised across its key strategic documents, to increase and accelerate the delivery of new housing across the District. The allocation of land to accommodate a minimum of 15,625 new homes (625 dwellings per annum) is being made through the emerging Local Plan, which is scheduled for Examination in May 2019.
- 1.5 Within this context the Council has commissioned Avison Young to prepare the 'Housing Delivery Test Action Plan'. This document provides an analysis of the key reasons for the historic under performance to deliver against the Districts assessed housing requirement and identifies the measures the Council should seek to undertake to increase the delivery of new housing across the District.
- 1.6 The Council recognise that delivering growth is complex. Whilst a number of the actions identified in the action plan are solely within the remit of the Council to resolve, to successfully respond to the challenge of increasing, and then maintaining, housing delivery the Council will also need the support and co-operation of a range of third party stakeholders and those involved in delivering homes including landowners and housebuilders.

2. Relationship to other plans / strategies and Council activities

2.1 The Action Plan complements existing Council plans, policies and strategies which provide a framework for the delivery of the Councils housing priorities. These documents include the following:

- **The Housing Strategy 2017 - 2021** identifies some of the significant housing challenges facing the District including: 22% of the Districts population being aged over 65, and this is expected to grow to 31% by 2039; demand for homes continuing, although housing is becoming gradually less affordable for many people; the quality of existing rental homes is often not good enough; there are pockets of deprivation, with some aspects more apparent in rural areas with limited access to services. At the heart of the strategy is the belief that homes are a fundamental part of people's lives. The strategy purports that houses should be 'healthy', good quality, sustainable and secure, providing the environment for people to thrive and achieve. The strategy also recognises that good housing in vibrant and attractive towns and villages supports a strong economy and helps create a community where people want to live, work and invest
- **The Economic Growth Strategy 2016 - 2021** recognises the importance of housing delivery as a driver of economic growth, and the Council confirm within the strategy that they will support initiatives which can accelerate delivery of key housing sites, which then help to promote employment sites /economic opportunities to the market. Whilst the strategy supports economic development initiatives across the whole of the District, there is a clear focus on growth in Grantham. The aim of this is to help in establishing Grantham as a leading sub-regional centre by taking advantage of development opportunities, creating employment, providing growth in new housing and helping to improve the town centre offer to enable more people to invest, shop, work and relax there.

South Kesteven New Local Plan 2011 - 2036. The Council is committed to bringing forward transformational growth and is working hard to bring forward a Local Plan that can guide growth going forward to 2036. The number of additional homes required in the District up to 2036, based on the Peterborough Sub-Region Strategic Housing Market Assessment (SHMA), is 15,625 which equates to an average of 625 homes per annum over the period 2011-36. The new Local Plan proposes that the majority of all planned housing development be focused upon growing Grantham¹. This ensures development is located in the most sustainable location and enables Grantham to enhance its role as a sub-regional centre.

In addition, given their role as market towns with a range of services and facilities, the Local Plan also proposes new development in Stamford², Bourne³ and the Deepings⁴

¹ Strategic housing allocations are proposed for - Rectory Farm (Phases 2 and 3) - [Phase 1 of this site was the development of Poplar Farm, an allocation in the Core Strategy 2011. This site is currently under construction] and Spitalgate Heath Garden Village (Southern Quadrant) [also an allocation in the Core Strategy 2011]; and Prince William of Gloucester Barracks.

² Within Stamford a major sustainable extension to the north of the town is proposed in the Local Plan. This will require a comprehensive masterplan for the whole of the site, including land at Quarry Farm in Rutland. This is envisaged as a high quality development responding to market demands which will have its own distinctive character whilst allowing the essential character of Stamford to be preserved. Additional allocations for residential development are proposed on brownfield land at Stamford East

Outside of the four main towns, new development is focussed on those Larger Villages where there are good levels of services and facilities. All sites within Larger Villages have been assessed to determine the right amount and right location for new development to take place, taking into account the deliverability of proposals and constraints on development. As a consequence, not all identified Larger Villages have a proposed allocation for new housing in the new Local Plan, although there may be an existing "known supply" from existing planning permissions for housing not yet implemented. Following the review of the Larger Villages (formerly Local Service Centres) Castle Bytham no longer has sufficient services and facilities to be classified as one. Fifteen Larger Villages have been identified and following a detailed site assessment process thirteen sites have been identified as potential housing allocations. In addition to these allocations, the plan supports sensitive infill housing development within the built-up part of settlements and the redevelopment of previously developed sites in all fifteen Larger Villages.

The new local plan also states that some small scale sensitive development on the edge of all settlements will also be supported subject to more restrictive criteria, including evidence of substantial support from the local community.

- **South Kesteven Infrastructure Delivery Plan (IDP) -2011 to 2036.** The Council has prepared an Infrastructure Delivery Plan to support the new Local Plan. This includes the Infrastructure Delivery Schedule (IDS) which identifies the physical, social and green infrastructure needed to support the vision and growth proposals included in the Local Plan over the plan period, including where known, when the infrastructure will be required and how it will be funded

³ There is still a significant amount of new housing to be completed in Bourne through the Elsea Park scheme. The Local Plan does not make any site specific allocations in Bourne, because of current commitments that are still outstanding. Instead, it is expected that the Neighbourhood Plan body will work in partnership with the Council to identify suitable, sustainable locations for a minimum of 200 new homes over the plan period within the emerging Bourne Neighbourhood Plan.

⁴ Planned housing growth is proposed to the east and north of the Deepings through proposed allocations at Towngate West and Linchfield Road.

3. Housing delivery analysis

- 3.1 In *Fixing our Broken Housing Market* - the Government's White Paper of February 2017 - the Prime Minister refers to the Country's broken housing market as 'one of the greatest barriers to progress in Britain today'. This was further emphasised by the then Secretary of State for Communities and Local Government⁵ who summed up the position:

"For decades, the pace of house building has been sluggish at best. As a result, the number of new homes has not kept pace with our growing population. And that, in turn, has created a market that fails to work for far too many people". Soaring prices and rising rents caused by a shortage of the right homes in the right places has slammed the door of the housing market in the face of a whole generation".

- 3.2 Over the last 10 years or so, the Government and development industry has sought to define how many houses are needed in England. The White Paper identifies an annual range of between 225,000 to 275,000 new homes is now needed, with the current ambition set at building one million new homes between 2015 and 2020. More recently the Government has indicated, through the 2017 Autumn Budget, that 300,000 homes need to be built each year, on average, by the mid-2020s. However, completion levels have fallen significantly short of this with the most recent data pointing to circa 195,000 new build completions in the year 2017/2018.
- 3.3 Access to a decent, safe and secure home is seen as a basic right, but for many, houses are too expensive and the choices of high quality homes are limited. On a simple measure of affordability, most parts of the Country experience house prices well in excess of the 'affordable' ratio of 4:1, where local average house prices are four times the local average income levels. South Kesteven is no different, with the affordability ratio (based on median house price to median gross annual income) at around 9:1⁶ across the area as a whole.
- 3.4 At its most basic, the Government considers that increasing the supply of housing is key to improving the affordability of housing, whilst this simplifies a very complex issue, the Government is focussing efforts on introducing measures that will deliver more housing and remove barriers to development.

Housing Completions in South Kesteven

- 3.5 The national housing challenge has a local dimension with South Kesteven having its own housing needs to meet. The South Kesteven Proposed Submission Local Plan⁷ requires the provision of 15,625 homes to be built over the plan period 2011 - 2036, equating to an average of 625 homes per year. The South Kesteven Five Year Housing Land Supply Assessment 2018 - 2023 acknowledges that since the plan period started in 2011, there has been a shortfall of 545 dwellings. The assessment also acknowledges that the Council has under delivered when housing delivery is assessed against the housing trajectory set out in the Proposed Submission Local Plan.

⁵ The Rt Hon Sajid Javid MP

⁶ Based on the house price to workplace - based earnings ratio published by the Office National Statistics (2018)

⁷ This was submitted to the Secretary of State in January 2019 with the Examination set to commence on 8th May 2019

- 3.6 Before we examine the delivery rates over the current plan period (i.e. from 2011) it is important to look further back to understand fully how housing delivery has changed across the District. To do this we must look back at the South Kesteven Core Strategy (adopted in 2010), which set out a requirement for 13,600 new homes over the period 2006 to 2026. This equated to a minimum requirement of providing an average of 680 new homes per annum.
- 3.7 *Policy SP1 - Spatial Strategy* of the South Kesteven Core Strategy stated that the majority of all new development should be focused upon Grantham to support and strengthen its role as a Sub-Regional Centre and to achieve the growth aspirations set out within the Grantham Growth Point Programme, following the town's designation as a growth point in 2006. In addition, as a result of Grantham's designation as a New Growth Point⁸, the Core Strategy identified that at least 50% of the District's housing total should be allocated in the town in order to address these growth aspirations.
- 3.8 The Core Strategy also allowed for modest growth in the south of the District, particularly for Stamford and The Deepings. Due to the amount of development already taking place or committed (at the time) in Bourne, the Core Strategy didn't allocate any additional land for development.
- 3.9 The Core Strategy did permit some growth in the Local Service Centres⁹, in order to maintain their viability. In these locations the Core Strategy stipulated that development would be limited to identified allocated sites and infill/redevelopment sites within the built-up areas of the settlements.
- 3.10 *Policy H1 - Residential Development* of the South Kesteven Core Strategy required that new housing development over the period 2006 to 2026 should be planned and phased to deliver the minimum level of housing development required by the Regional Plan¹⁰ (now revoked). To ensure the proper distribution of development across the District, in accordance with Policy SP1, during the plan period Policy H1 of the Core Strategy set development targets (see Table 1) for each of the main towns, the local service centres as well as the rural areas.

Table 1 - Core Strategy Development Targets

		District	Grantham	Stamford	Bourne	Deepings	LSC's	Rural Areas
	Approved RSS requirements	13,600						
A	Remaining distributed by sub area	13,620	7,680	1,140	2,310	870	1,000	620
B	Average annual build rate - 2006 - 2026	680	385	58	115	43	50	30
C	Completed 01/04/2006 - 31/03/2008	1,857	688	146	526	89	239	169

⁸ The New Growth Point initiative is Government's response to the Barker Review of Housing Supply. This highlighted the shortfall between supply and demand for housing; more houses are needed to help first time buyers, address overcrowding and keep up with rising demand. The New Growth Point initiative aims to ensure that there is an adequate supply of good quality housing of all types, including affordable housing for key workers and those in lower income groups.

⁹ Policy SP2 - Sustainable Communities of the Core Strategy identifies the Local Service Centres as Ancaster; Barkston and Syston; Barrowby; Baston; Billingborough & Horbling; Castle Bytham; Caythorpe and Frieston; Colsterworth and Woolsthorpe by Colsterworth; Corby Glen; Great Gonerby; Harlaxton; Langtoft; Long Bennington; Morton and Hanthorpe; South Witham and Thurlby and Northorpe.

¹⁰ The East Midlands Regional Plan (March 2009)

	District	Grantham	Stamford	Bourne	Deepings	LSC's	Rural Areas
Surplus/Shortfall ¹¹ 2006 to 2008	+497	-82	+30	+296	+3	+139	+109
Residual housing to be found 2008 - 2026 (A - C)	11,763	6,992	994	1,784	781	761	451
Average annual build rate for remaining plan period (2008 - 2026)	656	389	55	99	43	42	25

Source: Policy H1 - Residential Development - South Kesteven Adopted Core Strategy

- 3.11 The data in Table 1 (Taken from Policy H1 of the South Kesteven Adopted Core Strategy 2010) clearly demonstrates that, over the period 2006 to 2008, the development trajectory target / build out rate for the whole district was exceeded by around 500 dwellings. Whilst the rural areas, local service centres and most of the main towns also exceeded their development targets, over this same period, there was one notable exception - Grantham, which fell short of its development target by 82 dwellings.
- 3.12 In April 2016 the Council published its Housing Land Supply Assessment which identified housing delivery rates across the District since 2006. However, because the New Local Plan¹² period started in 2011 we have only extracted the data up to 2011 and compared the number of units delivered over this period against the Core Strategy trajectory targets - please refer to Table 2.

Table 2: Housing Delivery Rates 1st April 2006 to 31st March 2011

Year	Core Strategy trajectory target ¹³	Units actually delivered	Surplus / Shortfall
2006 - 2007*	971	971	-
2007 - 2008*	866	866	-
2008 - 2009	663	663	-
2009 - 2010	440	520	+80
2010 - 2011	550	550	-
Totals	3,490	3,570	+80

Source: South Kesteven Five Year Housing Land Supply Assessment

Notes

(*) These figures represent a breakdown of the 1,857 dwellings that were completed over the period 2006 to 2008, as summarised in Table 1. However, there is a slight discrepancy in the figures with the cumulative total for years 2006 / 07 and 2007 / 08 in Table 2 being 20 dwellings fewer than the total figure (1,857) included in Table 1.

¹¹ Based on B multiplied by 2 years less C

¹² The South Kesteven Proposed Submission Local Plan

¹³ Policy H1 of the adopted Core Strategy set an annualised target figure for the development of 680 dwellings each year over the twenty-year period 2006 -2026, giving a total target of 13,600 new houses built in South Kesteven¹. However, the housing trajectory in the Core Strategy recognised that it was unrealistic to assume an even and consistent supply of housing delivery over the plan period, and indicated a lower delivery rate within the first five year delivery phase (2010/2011 – 2014/2015) to reflect the downturn in the housing market, the plan making process for identifying allocations, and the need for major infrastructure projects to support the delivery of the majority of housing growth in Grantham.

- 3.13 Over the period 2006 to April 2011 the number of housing completions slightly exceeded the housing trajectory /targets for that five year period, with a total of 3,570 dwellings completed compared with a target of 3,490 dwellings.
- 3.14 The Councils Five Year Housing Land Supply Assessment (2018 - 2023) and their Local Plan Examination Topic Paper 2 - Housing Land Supply both set out the housing delivery rates from 1st April 2011 to 1st April 2018. - See Table 3.

Table 3 - Housing Delivery Rates from 1st April 2011 to 31st March 2018.

Year	Annual Target ¹⁴	Units Delivered	Surplus / Shortfall
2011 - 2012	625	494	-131
2012 - 2013	625	497	-128
2013 - 2014	625	541	-84
2014 - 2015	625	652	+27
2015 - 2016	625	495	-130
2016 - 2017	625	454	-171
2017 - 2018	625	428	-197
Survey Year	-	269 ¹⁵	+269
District Total	4,375	3,830	-545

Source: South Kesteven Five Year Housing Land Supply Assessment (2018 - 2023)

- 3.15 As demonstrated above, the total housing requirement since 1st April 2011 totals 4,375. However, only 3,830 dwellings were delivered meaning there was an overall shortfall of 545 dwellings over the period 1st April 2011 to 1st April 2018.
- 3.16 The results from the Governments Housing Delivery Test state that over the past three years (i.e. 2015/16 to 2017/18) a total of 1,421 dwellings were completed against a target of 1,746. See Table 4 below. These figures differ to those in Table 3 but nevertheless, both sets of data confirm an under delivery in housing completions over the past 3 years. In fact, the Councils figures show that a total of 1,377 dwellings were completed¹⁶ against a target of 1,875 dwellings resulting in a shortfall of 498 dwellings. This would mean the Housing Test Measurement is 73.5% rather than the current 81%. Where delivery has been less than 75% of the housing requirement, the HDT requires that the NPPF's presumption in favour of sustainable development will apply.

¹⁴ As outlined previously the period from 1st April 2011 is covered by the New Local Plan (South Kesteven Proposed Submission Local Plan) which requires the provision of 15,625 homes to be built over the plan period 2011 - 2036, equating to an average of 625 homes per year

¹⁵ A physical survey was undertaken in 2015 / 2016 of all outstanding commitments. This was considered necessary as a number of sites (particularly small sites) were known to have been completed but still featured on the commitment list as sites under construction but not completed. The survey identified that 269 additional homes had been completed. As a result of this survey, the sites were counted as completions rather than commitments. However, the actual year of completion couldn't be confirmed so they were added as a separate delivery figure rather than apportioning it to a specific year(s)

¹⁶ Ignoring the dwellings from the survey as it is not possible to allocate these to a specific year.

Table 4: Housing Delivery Test Results

Year	target	Units actually delivered	Surplus / Shortfall
2015 - 2016	574	495	-79
2016 - 2017	565	478	-87
2017 - 2018	607	448	-159
Total	1,746	1,421	-325

Source: HDT 2018 Measurement

- 3.17 The Councils Local Plan Examination Topic Paper 2 - Housing Land Supply provides a breakdown, by year and settlement, of the housing completions between 1st April 2011 and 31st March 2018. This is replicated below for ease of reference.

Table 5 - Completions by Year and Settlement

Year	District	Grantham	Stamford	Bourne	Market Deeping	Larger Villages /LSC's	Smaller Village /Rural Areas
2011 - 2012	494	145	78	129	60	56	26
2012 - 2013	497	107	82	154	82	55	17
2013 - 2014	541	221	41	149	42	58	30
2014 - 2015	652	224	38	216	131	32	11
2015 - 2016	495	185	32	149	68	55	6
2016 - 2017	454	72	14	136	40	44	21
2017 - 2018	428	150	71	121	14	41	31
Survey Years	269	58	27	45	29	68	42
Totals	3,830	1,691	510	1,099	466	409	184

- 3.18 In order to understand whether this under delivery is spread across the District or related to specific towns / settlements it is necessary to understand the development trajectories for each of the settlements listed in Table 5 (see above).
- 3.19 Whilst the emerging Local Plan¹⁷ provides a percentage breakdown of new development (based on consents, commitments and allocations) this is forward looking for the period 2018 - 2036. In this respect it does not provide a useful guide as to what the previous delivery trajectories were, for each settlement, over the period 2011 to 2018.
- 3.20 In this regard we have referred back to the South Kesteven adopted Core Strategy and in particular Policy H1 - Residential Development, which set out the annual build rate for the plan period 2008 to 2026. These trajectories are shown in Table 1. However, it should be noted that the trajectories for each settlement in the Core Strategy were based on an annual average build out rate of 656 dwellings. The emerging local plan is based on an average annualised requirement of 625 dwellings. On this basis, we have based the development trajectories for each settlement over the emerging plan period (i.e from 2011) on the same

¹⁷ The South Kesteven Proposed Submission Local Plan

proportional split from the Core Strategy but applied this to the average annual housing requirement set out in the emerging plan (i.e. 625 dwellings per annum). This approach is summarised in Table 6.

Table 6 - Estimated Development Trajectories for Emerging Plan Period (2011 - 2018)

	District	Grantham	Stamford	Bourne	Market Deeping	Larger Villages /LSC's	Smaller Village /Rural Areas
Core Strategy Annual Build Rate for plan period 2008 - 2016¹⁸	656	389	55	99	43	42	25
Proportionate split	100%	59%	8%	15%	7%	7%	4%
Same Proportionate Split applied to emerging Local Plan for period 2011 to 2018	100%	59%	8%	15%	7%	7%	4%
Emerging local plan Development Trajectories for period 2011 to 2018	625	369	50	94	44	44	24

- 3.21 Based on the estimated development trajectories in Table 6 we have the assessed the shortfall / surplus in completions for each settlement over the emerging plan period (i.e from 1st April 2011 to 31st March 2018). The results of this exercise are summarised in Table 7.

¹⁸ Set out in Policy H1 of the South Kesteven Core Strategy.

Table 7 - Delivery Surplus / Shortfall - Annual Basis¹⁹

Year		District	Grantham	Stamford	Bourne	Market Deeping	Larger Villages /LSC's	Smaller Village /Rural Areas
Local Plan	Annual	625	369	50	94	44	44	24
Build Rate								
2011 - 2012		-131	-224	+28	+35	+16	+12	+2
2012 - 2013 ²⁰		-128	-262	+32	+60	+38	+11	-7
2013 - 2014		-84	-148	-9	+55	-2	+14	+6
2014 - 2015		+27	-145	-12	+122	+87	-12	-13
2015 - 2016		-130	-184	-18	+55	+24	+11	-18
2016 - 2017		-171	-297	-36	+42	-4	0	-3
2017 - 2018		-197	-219	+21	+27	-30	-3	+7

Total Requirement	4,375	2,583	350	658	308	308	168	
(based on 7 years)								
Total Delivered²¹	3,830	1,691	510	1,099	466	409	184	
Surplus / Shortfall	-545	-892	+160	+441	+158	+101	+16	

3 Year Housing Trajectory (A)	1,875	1,107	150	282	132	132	72
Units Delivered (B)	1,377	407	117	406	122	140	58
Survey Years	269	58	27	45	29	68	42
Total Units Delivered (C)	1,646	465	144	451	151	208	100
Housing Delivery Test Measurement (C/A) with Survey Year	87.78%	42%	96%	159.92%	114.39%	157.58%	138.89%
Housing Delivery Test Measurement (B/A) without Survey Year	73.44%	36.77%	78%	143.97%	92.42%	106.06%	80.55%

3.22 The results within Table 7 clearly demonstrates that over the emerging plan period to date (i.e. 2011 to 2018) all of the settlements except Grantham have exceeded their cumulative delivery trajectories for this period. In stark contrast Grantham under delivered by 892 dwellings. If we run the Housing Delivery Test measurement at a settlement level you will see from Table 7 that Grantham would score 42% including the survey completions or 36.77% when they are excluded. Stamford would score 96% including the survey completions and 78% without. Bourne and the larger villages/LSC score more than 100% with and without the survey completions. Market Deeping scores more than 100% with the survey completions and just over

¹⁹ By reference to number of dwellings completed - See Table 5.

²⁰ Refer to Table 6

²¹ Including Survey Year

92% without. The smaller villages / rural area also score more than 100% with the survey year completions but only scores 80% without the survey year completions.

- 3.23 Whilst the delivery rates have dropped off in Stamford, Market Deeping, the large villages /local service centres and the rural area (including larger villages) over the past three years (which is something that needs to be monitored) it is abundantly clear that if Grantham achieved its development trajectories the impact on the Housing Delivery Test result would have been profound, especially given the over delivery in other areas of the District. If Grantham had achieved its trajectories the Housing Delivery Test measurement for the District would have been 115% (including the survey year completions). Even if Grantham had achieved three quarters of its trajectories over the past three years the measurement for the District would have been 100%. A measurement of 85% would have been recorded for the District if Grantham had simply delivered half of its three year trajectories.
- 3.24 In view of Grantham's significant under delivery (not only over the past three years but also the period of the emerging local plan to date) we have sought to understand what may be causing this under delivery within the town.
- 3.25 To understand why Grantham has failed to achieve its development trajectories we must pause for a moment and remind ourselves that Grantham was awarded Growth Point Status in 2006. One of the objectives²² of the Grantham Growth Point Programme was to achieve sustainable population growth by delivering a step change in the level of new housing development in the town, primarily through the development of four key sites - the town centre, the Canal Quarter, the North West Quadrant and the Southern Quadrant. This objective was reflected in the Core Strategy, which focused more than half of the annual District Housing requirement in the town.
- 3.26 The Core Strategy set out that more than 7,600 new homes would be built in the town. Taking into account dwellings completed between 2006 and 2008 the Core Strategy identified a development target for Grantham of 6,992 dwellings. Then having taken into account extant planning permissions, at the time, which provided a further 1,143 homes, the Core Strategy identified a shortfall of about 5,850 homes that needed to be accommodated within the town. The Core Strategy expected that around 430 new homes could be accommodated within the built up part of the town but in order to achieve the net growth objectives (i.e. 5,420 dwellings) the Core Strategy identified and allocated two of the key sites from the Grantham Growth Point Programme as new urban extensions to ensure that sufficient new homes could be provided up to 2026 and beyond. The sites identified from the Growth Point Programme, as the urban extensions, were the North West Quadrant and the Southern Quadrant.
- **The North West Quadrant** comprises a site to the north of the A52 Barrowby Road and the south of the Nottingham rail line. The Core Strategy assumed this site could deliver 3,500 new dwellings. A large part of the site, known locally as Poplar Farm, has been allocated for housing through the local plan since 1995.
 - **The Southern Quadrant** is located to the south of Grantham, and spans the East Coast Main Line. The whole expansion area includes land between the A1 in the west and the A52 in the east. The site is now known as Spitalgate Garden Village and the Core Strategy envisaged that the site could yield up to

²² Objective 2

- 4,000 new homes. However, the Core Strategy did not expect this site to start yielding dwellings until 2011/2012.
- 3.27 These urban extensions were then taken forward into the emerging Local Plan. In summary, the emerging Local Plan proposes that 7,102 new dwellings²³ be provided in Grantham over the plan period (i.e 2011 to 2036). From the total number of homes, the Local Plan expects that the majority (5,505 dwellings²⁴) would be provided within the two urban extensions meaning that the extensions account for 77.5% of the housing requirement identified for Grantham over the emerging plan period.
- 3.28 As outlined in Table 7, a total of 1,691 dwellings were completed in Grantham over the period 2011 to 2018. Based on the average annualised delivery trajectory of 369 dwellings for Grantham, the cumulative development targets for Grantham over this period were 2,583 dwellings. At a fairly arbitrary level, 77.5% of this target should have been accommodated within the urban extensions equating to circa 2,000 dwellings. However as at 31st March 2018, a total of 321 dwellings had been built, across both of the urban extensions, resulting in a shortfall of 1,679 dwellings across both of these urban extensions.
- 3.29 Within this context it is logical to conclude that the majority of completions (1,370 dwellings²⁵) in Grantham, over the emerging plan period, were in the main built up area of the town (i.e. outside of the urban extensions). On the basis that 2,000 dwellings should have been delivered within the urban expansions by 2018 the balance (583 dwellings²⁶) should have been delivered within the main urban area. This would equate to an average annualised delivery rate of circa 83 dwellings over the period 2011 to 2018. On this basis, the main urban area of Grantham has over delivered throughout this period and cumulatively has provided 787 dwellings more than its development trajectories for the emerging local plan period to date.
- 3.30 This is an important point as it demonstrates that the housing market in Grantham, outside of the urban extensions, is operating effectively and contributing significantly more than expected to the development trajectories for the town. This simply reinforces the point that the under delivery in Grantham is solely attributable to the slow pace of delivery within the two urban extensions.
- 3.31 We explore some of the reasons why these urban extensions have been slow to deliver and how they may impact on the future housing trajectories of the emerging Local Plan within the next section of this report.

²³ Net of the 13% over provision across the plan period.

²⁴ Housing Allocations GR3: H1 (2,150 dwellings); GR3:H2 (1,150 dwellings) GR3: H3 (404 dwellings) and Poplar Farm (1,800 dwellings)

²⁵ Total of 1,691 completions (as per Table 4) less the 321 dwellings completed in the North West Quadrant as at March 2018.

²⁶ Based on the average annualised delivery trajectory of 369 dwellings for Grantham, the cumulative development targets for Grantham over this period were 2,583 dwellings. Less 2000 dwellings in the urban expansions leaves 583 dwellings for the main urban area of Grantham.

4. Grantham urban extensions and barriers to delivery

4.1 Developing houses is often a complex process. There are a number of challenges and barriers to overcome before a buyer can take ownership of a property. Many of these barriers are macro-economic in nature, for example, access to finance for both developers and potential house buyers, whilst others may be more site specific such as land contamination. These barriers can affect both the supply and demand side of housing delivery.

4.2 However, it should be recognised, as outlined in the previous section that the main reason for under delivery across the District is the lack of development which has occurred within the two urban expansions at Grantham. Settlements elsewhere in the District, including the main urban area of Grantham, have generally exceeded their development targets / trajectories over the emerging local plan period to date.

4.3 In this respect this section of the report considers whether there has been any specific barriers that have prevented delivery with urban expansion sites. In particular, we explore whether the following issues have had an impact on the delivery of the urban extensions in Grantham.

- Complexity of land ownerships and 'ransom' situations;
- Planning and S106 obligations (linked to viability);
- Viability
- Site specific constraints and infrastructure requirements;
- Market sentiment; and
- Pace of delivery

Complexity of land ownerships and 'ransom' situations

4.4 It is common for there to be multiple land ownerships/interests across large urban expansions. Invariably in situations where there are multiple land interests this will give rise to possible ransom situations and the need for land equalisation agreements. Dealing with such issues are more often than not complex and can take years to resolve.

4.5 The Northwest Quadrant urban extension is controlled by four landowners. The eastern half of the site (known as Poplar Farm), is controlled by a single landowner, the Buckminster Estate Trust. The western half of the site (known as Rectory Farm) extends to a total area of circa 60ha (148 acres) and is controlled by three different landowners - Linden Homes, Jelson Homes and Jenkinson. Jelson and Linden Homes (who between them control the majority of the site - circa 48 ha/119 acres), have been working together to develop proposals for 1,350 new homes across their combined land interests.

4.6 The South Quadrant urban Extension is held within one ownership - the Buckminster Estate Trust.

4.7 It is clear that the landownership position across the urban extensions is relatively straight forward / simple with little in the way of complex and multiple ownerships that may give rise to possible ransom situations and complex land equalisation arrangements. However, of concern is that one land owner (the Buckminster

Estate) has been and will continue to be the 'key enabler' for half of the North West quadrant urban extension as well as all of the southern quadrant urban extension meaning they have ultimate control over the delivery of up to 3,950²⁷ new dwellings over the emerging Local Plan period. Past evidence tells us that the Estate takes a rather unhurried approach in releasing its land for development. We know that Poplar Farm²⁸ was allocated for housing through the local plan since 1995 but as at 31st March 2018, only 321 dwellings had been completed with a further 176 dwellings under construction.

- 4.8 In a similar vein no development has yet come forward on the southern quadrant urban extension despite the site being allocated in the adopted South Kesteven Core Strategy (2010). Whilst an outline application was submitted in July 2014 for a scheme comprising 3,700 dwellings this remained underdetermined until February 2019. The main reason why the application was held in abeyance for so long was because of a perceived unacceptable level of affordable housing, with the Estate unwilling (until recently) to change their stance. We consider viability issues later.
- 4.9 The main risk for the Council is looking ahead and the influence that one landowner has on the ability of the Council to achieve is housing trajectories over the remainder of the emerging local plan period. For example, the Estate both at any point and for any reason could simply hold back land for development, which would then have a profound impact on the housing delivery rates across the District. This is a particular concern given that the Estate is not a developer meaning they are under no obligation to develop out the land. Delivery on the Estates land will be via third party developers but the Estate will only sell land to developers upon terms which are acceptable to them and a lot of this will ultimately come down to the price which the Estate can achieve for its land. The price of land will be subject to many variables (some of which we explore later), which if they impact on the land value too much will mean Buckminster won't sell/release land for development. In contrast when a developer owns a site they will seek to develop out the land as quickly as possible in order to recover their initial costs / capitol of acquiring the site as well as to mitigate any initial or ongoing holding costs²⁹.
- 4.10 This is a risk for the forthcoming Examination of the Local Plan, as if the Inspector shares these concerns they may find the plan unsound.

Planning and S106 Obligations

- 4.11 The planning position with respect to the North West Quadrant is summarised below.
- 4.12 Outline planning permission was granted for 1,800 dwellings within the eastern part of the north western quadrant (known as Polar Farm) on 23rd June 2011. The application was submitted 2 years prior to this and validated on 30th June 2009. This permission is subject to a S106 Agreement (dated 21st June 2011) which sets out the planning obligations for the whole development. A number of Reserved Matters applications have subsequently been brought forward by a number of developers and these have been approved.

²⁷ 1,800 dwellings at Poplar Farm (the North West quadrant and 2,150 dwellings within the southern quadrant / Spitalgate Garden Village).

²⁸ Half of the north-western quadrant (1,800 dwellings).

²⁹ Note there is a difference between a developer actually owning a site and one which has an option to acquire. When a developer has an option to acquire they have not physically purchased the site. Instead, they will have paid the landowner a relatively modest sum for the option to acquire their land, at an agreed minimum price, subject to a number of conditions being achieved, the main one normally being the receipt of planning permission.

- 4.13 In December 2016, three applications were submitted to the Council for the western half of the north west quarter urban extension (also known as Rectory Farm). Two detailed applications were submitted (one by Linden Homes and one by Jelson Homes), which together sought permission for up to 533 new dwellings, forming phase one of the development. A third application was submitted for outline consent for up to 817 dwellings on the remainder of the site (i.e. the land beyond phase 1). Details of the three applications are provided below;
- An application by Linden Homes³⁰ for full planning permission with EIA for 332 residential dwellings (including 112 affordable dwellings);
 - An application by Jelson Homes³¹ for full planning permission with EIA for 201 residential dwellings (including no affordable); and
 - A joint outline application for residential development by Linden and Jelson Homes for up to 817 dwellings (including no affordable) and associated infrastructure with all matters reserved³² on the remainder of the site;
- 4.14 However, it is believed that the applications have been held in abeyance subject to the successful resolution of a number of technical issues in relation to highways.
- 4.15 The Council has recently issued a draft SPD for Rectory Farm and the purpose of this document is to add detail to the policies of the emerging Local Plan, particularly Policy GR4 (Grantham Allocations). This will aid the delivery of high quality residential development in an important site on one of the main approaches to Grantham, by highlighting the key principles that the Council will apply when considering development proposals thereby helping applicants to make successful applications. The Council approved the draft SPD for the purposes of consultation in September 2018. The Planning Brief will be formally adopted as an SPD once the emerging Local Plan itself is adopted; however, it cannot legally be formally adopted ahead of the Local Plan. In the period between the end of the formal consultation period and the adoption of the emerging Local Plan, the Planning Brief will nevertheless form a material consideration to be taken into account by the District Council when determining planning applications relating to the site. However, the Council does not consider the formal adoption of the SPD to be a necessary pre-condition for determining planning applications on the site. Indeed, in the context of meeting South Kesteven's evidenced housing need, the Council welcomes early proposals to develop the site that have appropriate regard to the Planning Brief based on its status at the time of application.
- 4.16 With the Council's recent approval of the SPD it is possible that the scheme could be determined in an expedient manner so long as the proposals are not in conflict with the SPD. However, we are aware that the applicants are challenging the level of affordable housing on viability grounds. As part of the 2 full applications which form phase 1 of the development, a viability assessment has been submitted claiming that the Council's policy requirement of 35% affordable housing would make the development unviable and that 5% is the maximum that can be afforded.

³⁰ Planning reference S16y/2816

³¹ Planning reference S16/2819

³² Planning reference S16/2818

- 4.17 Even if the current applications can be determined quickly it is unlikely, due to associated lead in times etc. (see later) that any dwellings will be completed on Rectory Farm until late 2020. In all probability, the first housing completions are unlikely to be achieved until 2021.
- 4.18 The planning position with respect to the Southern Quadrant (aka Spitalgate Garden Village) is summarised below.
- 4.19 An outline application for the southern quadrant (3,700 dwellings) was submitted to the Council in July 2014³³ but only approved in February 2019 following a projected period of negotiations regarding the viability and in particular relating to a perceived unacceptable level of affordable housing. Permission was granted subject to the provision of a S106 Agreement and final approval of the conditions. The application will be subsequently refused if the S106 Agreement has not been completed within six months, subject to their being no extenuating circumstances which would justify an extension of time.
- 4.20 It should also be noted that the application has been prepared as a Sustainable Urban Extension (SUE), in line with the established planning policy context set by the Core Strategy and the associated SPD. However, since the application was submitted, the site has been identified as one of 14 Garden Villages to be constructed in England. The Design and Access Statement (DAS) describes how the vision for the development embraces similar ideals to those of the Garden Cities and Garden Suburbs approach to delivering successful and sustainable places, including a strong 'green' character and a distinctive and accessible framework of woodland, trees, open spaces and landscape corridors. It contains a number of key design principles which will guide the production of site wide strategies and key phase design codes that will ensure the development is developed to a high design standard."
- 4.21 It is envisaged that there is now a need for a next layer of design work which would be at a more detailed scale to establish the overall 'vision' for the site. The applicant (The Buckminster Estate) has advised that they remain committed to working in partnership with the Council and other stakeholders to deliver the Garden Village for the benefit of Grantham and the District. However, they do not wish to see this result in further delays to this project.
- 4.22 Having undertaken analysis in relation to how the objectives of the application (as an SUE) and how the objectives of garden settlements inter-relate, the Council believe that it is readily possible through the conditions and S106 Agreement to achieve many of the garden settlement principles. These mechanisms would also allow sufficient flexibility to enable further detailed design work and review in order that the development would be of an exemplary design quality and would align more fully with the vision for the site as a garden village. The Council has drafted a series of conditions that have been developed to reflect adopted approaches and these would form a design-cascade based on a tiered approach, as summarised below.

³³ Planning reference S14 / 2619

Tier 1	These are mandatory elements which provide the overarching elements of the permission such as the time limit and parameters
Tier 2	These are the site - wide framework and delivery strategy which are based on the development parameters but provide a more detailed vision for the site. Tier 2 must comply with tier 1. These must also be agreed before detailed work can be undertaken to develop proposals within any phase.
Tier 3	These are the phase wide or phase specific strategies, briefs and design codes - such as residential design codes. These will guide Reserved Matters submissions within those phases of the development. These must comply with tier 1 and 2 and provide a detailed framework for further submissions. These must be agreed before work can commence in a particular phase.
Tier 4	These represent Reserved Matters submissions for particular sites within each phase. Tier 4 submissions must comply with tiers 1 to 3. A compliance condition under tier 1 would require a compliance statement to be provided with each Reserved Matters applications.

- 4.23 It is anticipated that it will take around 18 to 24 months to satisfactory discharge the tier 1 to 3 conditions and a further 6 to 12 months to discharge the first phase of tier 4 conditions. Taking into account possible lead in times it is unlikely that any housing completions will be achieved on the Southern Quadrant (Spitalgate Garden Village) until 2023 at the earliest and in all probability it could well be 2024.

Viability

- 4.24 A viability argument has been made by Linden and Jelson Homes regarding the first phase of development at Rectory Farm (part of the north western quadrant) and their ability to provide a policy compliant provision of affordable housing. We are aware that as part of the 2 full applications, which form phase 1 of the development, a viability assessment has been submitted claiming that the Council's policy requirement of 35% affordable housing would make the development unviable and that 5% is the maximum that can be afforded. Whilst a decision on this application must be predicated upon the application / viability information submitted and independently verified against the requirements of the development plan and all relevant material considerations, it is considered relevant for Members to be aware of the role of the urban extensions in fulfilling the Council housing trajectories and the impact they have on the Housing Delivery Test measurement.
- 4.25 The outline application for the southern quadrant (Spitalgate Heath Garden Village) was also held in abeyance for circa 4.5 years following a projected period of negotiations regarding viability and in particular relating to a perceived unacceptable level of affordable housing. A resolution to grant planning permission was granted in February 2019 with a provision for 10% affordable housing (lower than the policy requirement of 35%) but this was deferred for a period of 5 years or until the completion of the first 500 units whichever comes first.
- 4.26 The Council has entered into a co-development phase with Lincolnshire County Council (LCC) and Homes England, to bid for £71m of Government funding through the Housing Infrastructure Fund (HIF). The purpose of this fund is to seek to remove infrastructure barriers to deliver new housing development and accelerate

the delivery of new homes. If successful there is potential for it to support the Spitalgate Heath Garden Village, improving the viability and deliverability of the scheme through the reduction in strategic infrastructure costs. This is important when considering the longer-term viability of the development and the ability for its viability to improve over time providing scope to secure an increase in affordable housing provision.

- 4.27 Whilst there is no viability challenge at Poplar Farm we are aware that the agreed level of affordable housing was less than the policy requirement at the time the application was approved. However, we are concerned that there may be viability concerns with developing beyond 750 dwellings at this site as no more than 750 dwellings can be occupied until a new road bridge is constructed over an existing railway line. This requires an easement from Network Rail and the granting of this easement could then trigger a potential claim from Network Rail for a share of any additional value as a consideration for it granting easements over its tracks. This could be at much as 50% of the value created/added.

Site Specific Constraints and Infrastructure Requirements

- 4.28 Both of the urban extensions are Greenfield / agricultural land so they have very few (if any) issues regarding land contamination. Through dialogue with the Buckminster Estate Trust and having reviewed the planning submission documents linked to the north western quadrant it is clear that topography is an issue across both urban extensions but more so within Spitalgate Garden Village. However, these issues are not considered insurmountable in their own right.
- 4.29 As you would expect the urban extensions, due to their scale, are also the subject of significant infrastructure requirements.
- 4.30 The delivery of Spitalgate Garden Village is dependent on the construction of the Grantham South Relief Road (GSRR). The GSRR Scheme runs along the south of Grantham linking the A1 Trunk Road in the west to the A52 at Somerby Hill to the east. It consists of three road construction phases. Without the GSRR the number of dwellings that can be served off the existing highway network is limited to between 125 and 150 dwellings. The first phase of the relief road was completed in 2015 and the second phase is due to commence in June 2019 and should last 18 months. Phase 3 is planned to commence in December 2019 and should last 3 years with an estimated completion date of December 2023. This broadly aligns with the planning timeframes meaning some development could commence prior to completion of the GSRR with some completions anticipated in 2022/23 but the majority of housing completions will not occur until 2024 onwards.
- 4.31 Funding for the £102 million road scheme is being underwritten by Lincolnshire County Council apart from £33m already secured through the GLLEP and Highways England's GHF fund.
- 4.32 Following a successful expression of interest, the Council entered into a co-development phase with Lincolnshire County Council (LCC) and Homes England, to bid for £71m of Government funding through the Housing Infrastructure Fund (HIF). The purpose of this fund is to seek to remove infrastructure barriers to deliver new housing development and accelerate the delivery of new homes. The full business case for the HIF submission was submitted in March 2019 and it is expected that a decision will be made later this year.

- 4.33 The delivery of Spitalgate Heath Garden Village is central to the bid, along with other strategic sites within the Grantham area (including the Prince William of Gloucester Barracks). In the case of Spitalgate Heath, the HIF has been identified to support the delivery of the Grantham Southern Relief Road (GSRR), strategic utility provision (including a primary substation), and education requirements. The intention of HIF is to ensure that necessary infrastructure is in place to support development, for example, ensuring the delivery of schools to meet the needs of future communities, or provision of strategic utilities to enable viable development to come forward.
- 4.34 The Council is aware that the HIF bid is one of approximately 55 submissions to be made and there is no guarantee it will be successful. However, if the HIF bid is unsuccessful it will not impact on the delivery of the GSSR because the cost of the scheme is being underwritten by Lincolnshire County Council. But in the event the bid is unsuccessful it will prevent the Council from being able to secure more affordable housing from the scheme. This is because the current application was approved subject to the resolution of a S106 Agreement which included S106 Heads of Terms that included contributions towards the GSSR (£18,000,000). The viability of the scheme (see below) was also appraised on the assumption the scheme would need to fund a new primary substation (£13,000,000). Both of these items would be funded through HIF, if successful, releasing £31,000,000 plus other ancillary cost savings to contribute towards more affordable housing (see below).
- 4.35 With respect to the western half of the north west quadrant (i.e Rectory Farm) we are not aware of any infrastructure requirements that may prevent development. As outlined previously we are aware that a viability argument has been made by Linden and Jelson Homes regarding the first phase of development at Rectory Farm (part of the north western quadrant) and their ability to provide a policy compliant provision of affordable housing. So whilst viability is being challenged (this is not unusual with large scale strategic sites) there is nothing to suggest there are technical issues or infrastructure requirements that will prevent delivery. Indeed by virtue of the fact they have submitted two detailed applications (one by Linden Homes and one by Jelson Homes), which together seek permission for up to 533 new dwellings, suggests that the developers are confident there are no technical or infrastructure constraints that are not capable of resolution / mitigation.
- 4.36 Referring to the eastern half of the North West quadrant (Poplar Farm) we are aware that the overarching S106 Agreement limits the number of dwellings that can be constructed to 750 until the railway bridge link connecting Pennine Way to Great Gonerby is constructed and brought into use. The S106 Agreement includes for the provision of a Pennie Way Link Fund in which the applicant agrees to pay a levy of £8,200 per property. However, the Agreement is somewhat vague/confusing in terms of the when this tariff will apply. There is also an obligation on Buckminster (as applicant), prior to completion of the 700th dwelling to negotiate with Network Rail and obtain all the easements necessary for the railway bridge to be constructed and used as a publically maintainable highway.
- 4.37 As at 31st March 2018, a total of 321 dwellings had been completed and a further 176 dwellings were under construction. On this basis only a further 250 dwellings can be built. For any more dwellings to come forward the railway bridge will need to have been completed. However, no more than 200 units can actually be delivered on this site until necessary easements have been agreed with Network Rail. It is unclear how

negotiations are progressing with Network Rail or indeed if they have even commenced. Within this context there is a concern that development at Poplar Farm may stall within the next two years or so until there is a clear route forward to constructing and financing the Pennine Way Link.

- 4.38 There is also a risk that Network Rail may expect to receive a share of any additional value as a consideration for it granting easements over its tracks. This is covered under Network Rails Shared Value Policy. External parties may refer to it as “ransom” but Network Rail does not regard it as such and indeed it is a recognised part of the regulatory targets imposed on Network Rail through the ORR settlement process. The ORR position on shared value is currently stated in the ORR publication - Investment Framework Consolidated Policy and Guidelines – published on its website and dated October 2010 (page 39, point 9.2). This states that the principle behind seeking a share of any valuation uplift as a result of granting such rights is part of property valuation practice, established in the case of *Stokes v Cambridge*. In summary, those granting development rights can seek a percentage of the uplift of the value of land caused by the granting of those rights, usually between 25% and 50% of the value added.

Market sentiment

- 4.39 There is clearly interest from the market in developing out large strategic sites in Grantham. We need to look no further than the north west quadrant where Jelson and Linden homes own the majority of the western half of the urban expansion and have submitted proposals, jointly, for 1,350 new homes. The eastern half of the north west quadrant has been promoted by the land owners (the Buckminster Estate Trust) and since receiving planning permission they have sold plots to Bellway and Barratt David Wilson.
- 4.40 However, anecdotal evidence suggests that some developers are not willing to build in Grantham as the sales values are below £2,153psm (£200psf). However, we have analysed sales values achieved during 2018, 2017 and 2016. The average value achieved for new build sales in Grantham in 2018 was £2,315psm (£215psf), albeit this was established off a limited sample of data. In 2017 the average value achieved from new build sales was £2,056psm (£191psf) and in 2016 the average value achieved from new build sales was £2,023psm (£188psf). On this basis it is clear that there may be some truth in the suggestion that developers have not been interested in Grantham, in the past, due to the relatively low sales values (i.e. sub £200psf) but this changed in 2018 with values for the first time in the past three years breaching the £2,153psm (£200psf.) threshold.
- 4.41 In the future there will be a period of time when the two urban extensions will be developing out simultaneously alongside the former Prince William of Gloucester Barracks, which has capacity for up to 4,000 dwellings of which it is anticipated that 500 will come forward over the remainder of the emerging local plan period. Having three large sites operating at similar timescales risks flooding the market. This will have a direct impact on the market absorption rate and subsequent sales which will then have implications for the viability and delivery of the scheme as a whole. As a result, this may deter interest from developers over the remainder of the emerging local plan period.

Pace of Delivery

- 4.42 Large-scale sites can be an attractive proposition for plan-makers. With just one allocation of several thousand homes, a District can – at least on paper – meet a significant proportion of its housing requirement over a sustained period. The Council clearly adopted this approach when it allocated the North West and Southern Quadrant urban extensions within the Core Strategy (2010) to achieve their new growth objectives. These allocations have subsequently been rolled forward into the new emerging Local Plan.
- 4.43 However, large-scale sites do not always provide a solution to housing needs. Their scale, complexity and (in some cases) up-front infrastructure costs means they are not always easy to kick start. And once up and running, there is a need to be realistic about how quickly they can deliver new homes. As we have established previously the urban extensions in Grantham have not delivered as quickly as possible and as a result gaps in the housing supply have opened up as a result.
- 4.44 Whilst there are clear reasons why the urban expansion sites have not progressed as quickly as possible (as we have outlined previously), the emerging new local plan is still placing significant reliance on these sites for future housing supply across the remainder of the emerging local plan period. In this respect, it is important that the assumptions around when and how quickly these sites will deliver new homes are properly justified. We have set out below the key issues that will need to be considered.

Lead in times

- 4.45 The lead-in time prior to the submission of a planning application is an important factor because many planning issues are flushed out in advance of planning applications being submitted. Poplar Farm and Spitalgate Heath Garden village have moved beyond the lead in phase and both now have permission. However, Rectory Farm is still within this phase with the Council is holding in abeyance their planning applications whilst they prepared an SPD for the scheme. If the applicant is able to demonstrate that their applications are addressing the key requirements of the SPD it should, theoretically, help ensure that their applications can be determined quickly. If the requirements of the SPD are not being met this could result in a protracted and elongated lead in time.

Time taken for first housing completion after planning approval

- 4.46 Clearly, in many cases, planning approval will also need to be followed by discharge of pre-commencement conditions and or approved of Reserved Matters. This was evident at Poplar Farm, where after the granting of outline planning permission a number of Reserved Matters applications were submitted with the approval of the first reserved matters application in (S12/1331) on 4th October 2012.
- 4.47 As outlined previously the resolution to grant outline permission for Spitalgate Heath Garden Village is subject to a number of draft conditions which include the need to agree a S106 Agreement and prepare phase wide or phase specific strategies, briefs and design codes - such as Residential Design Codes, which will be used to guide the subsequent Reserved Matters submissions.
- 4.48 We envisage it will take a period of 12 / 18 months to prepare these documents and thereafter a further period of say 6/8 months to secure the approval of the first Reserved Matters submission. Upon receiving the first Reserved Matters approval we envisage it will take a period of circa 6 months until the completion of the

first dwelling. On this basis, it could take between 2 and 2.5 years (24 to 32 months) for the first dwelling to be completed at Spitalgate Heath Garden Village.

Build Out Rates

4.49 The rate at which sites deliver new homes is a frequently contested matter at Local Plan examinations and during planning inquiries considering five year housing land supply. Assumptions can vary quite markedly and expectations have changed over time and there is a growing recognition that the rate of annual delivery on a site is shaped by 'absorption rates', a judgement on how quickly the local market can absorb the new properties. However, there are a number of factors driving this for any given site:

- the strength of the local housing market;
- the number of sales outlets expected to operate on the site (i.e the number of different house builders or brands/products being delivered); or
- the tenure of housing being built. Are market homes for sale being supplemented by homes for rent, including affordable housing?

Market Strength

4.50 Whilst there are significant variations, reflecting localised conditions, there is nevertheless is a clear relationship between the strength of the market in a Local Authority area and the average annual build rates that are achievable. The market dynamic is given added significance in the context of Grantham in view of the anecdotal evidence which purports that some developers won't invest in the town due to the relatively low sales values.

4.51 It also needs to be recognised that in addition to the North West and Southern Quadrant urban extensions, the emerging Local Plan also allocates the former Prince William of Gloucester Barracks for housing development. In total, the site is capable of accommodating up to 4,000 new homes from which 500 are expected to be delivered within the remainder of the period covered by the emerging Local Plan. In this context, as outlined previously, it seems inevitable that there will be a period of time when the two urban extensions will be developing out simultaneously alongside the former Prince William of Gloucester Barracks. Having three large sites operating at similar timescales risks flooding the market. This will have a direct impact on the market absorption rate and subsequent sales which will then have implications for the viability and delivery of the schemes as a whole. As a result, this may deter interest from developers over the remainder of the emerging local plan period.

Number of Sales Outlets

4.52 A key metric for build rates on sites is the number of sales outlets. Different housebuilders will differentiate through types or size of accommodation and their brands and pricing, appealing to different customer types. In this regard, it is widely recognised that a site may increase its absorption rate through an increased number of outlets. This may relate to the site being more geographically extensive: with more access points or development 'fronts' from which sales outlets can be driven. A large urban extension might be designed and phased to extend out from a number of different local neighbourhoods within an existing town or city, with greater diversity and demand from multiple local markets. Typically a site with two outlets should be able to deliver between 100 and 150 dwellings per annum.

4.53 However, the potential to increase the number of outlets will be based on the overall market absorption rates, meaning the number of outlets is unlikely to be a fixed multiplier in terms of number of homes delivered. This is an important factor for Grantham, because, as outlined earlier, it seems inevitable that there will be a period of time when the two urban extensions will be developing out simultaneously alongside the former Prince William of Gloucester Barracks. It is unrealistic realistic to assume that all three sites can support delivery rates of 125 dwellings per annum, given the strength of the local housing market, which would mean 375 sales per annum. Past evidence (refer to Table 7) does not support these rates of delivery and there would need to be a significant economic stimulus to drive this pace of delivery over the remainder of the emerging Local Plan period.

Affordable Housing Provision

4.54 Housing sites with a larger proportion of affordable homes deliver more housing quickly (where viable). The relationship appears to be slightly stronger on large-scale sites (500 units or more) than on smaller sites (less than 500 units), but there is a clear positive correlation for both large and small-scale sites, developments with 40% or more affordable housing have a build rate that is around 40% higher compared to developments with 10-19% affordable housing obligation.

4.55 The relationship between housing delivery and affordable (subsidised) housing is multi-dimensional, resting on the viability, the grant or subsidy available and the confidence of a housing association or registered provider to build or purchase the property for management. While worth less per unit than a full-market property, affordable housing clearly taps into a different segment of demand (not displacing market demand), and having an immediate purchaser of multiple properties can support cash flow and risk sharing in joint ventures. However, there is potential that starter homes provided in lieu of other forms of affordable housing may not deliver the same kind of benefits to speed of delivery, albeit they may support viability overall.

4.56 This principle – of a product targeting a different segment of demand helping boost rates of development – may similarly apply to the emergent sectors such as ‘build-to-rent’ or ‘self build’ in locations where there is a clear market for those products. Conversely, the potential for starter homes to be provided in lieu of other forms of affordable housing may overlap with demand for market housing on some sites, and will not deliver the kind of cash flow / risk sharing benefits that comes from disposal of properties to a Registered Provider

4.57 The developers at Rectory farm are arguing for a reduction in affordable housing on the grounds of viability. They are seeking to reduce the amount of affordable housing down from a policy compliant 35% to 5%. The applicants for Spitalgate Heath Garden Village secured a reduction in their affordable housing contribution to 10% which was deferred for 5 years or completion of the first 500 units whichever comes first. We are also aware that Poplar Farm when it was granted permission in 2011 was approved with a level of affordable housing that was less than the policy compliant position at the time. Therefore without grant assistance or other forms of public sector subsidy, it seems unlikely that the levels of affordable housing can be increased within the urban extensions in order to improve the overall rate of delivery.

The Timeline of the Build-out Period

4.58 Many local authorities housing trajectories show large sites gradually increasing their output and then remaining steady, before tailing off at the end. In fact, delivery rates are not steady and are generally higher

early in the build-out period before dipping. This surge in early completions reflects the drive for rapid returns on capital in the initial phase, and/or early delivery of affordable housing, with the average build rate year by year reducing thereafter to reflect the optimum price points for the prevailing market demand. Additionally, the longer the site is being developed, the higher the probability of coinciding with an economic downturn which will lead to a reduction in output for a period.

5. Root Cause Analysis

- 5.1 The 'root cause analysis' for the under delivery of the Councils housing targets / trajectories seems relatively straight forward on the face of it. The main urban extensions in Grantham have simply not delivered the number of new homes that they were expected to.
- 5.2 At a fairly arbitrary level the urban extensions should have delivered around 2000 new homes over the emerging plan period to date (i.e. 2011 to 2018). The reality is that as at March 2018 they had delivered just 321 new homes - a mere 16% of what was expected.
- 5.3 However, we believe the cause for the under delivery of the Councils housing targets originates with the allocation of the town as a Growth Point in 2006. One of the objectives³⁴ of the Grantham Growth Point Programme was to achieve sustainable population growth by delivering a step change in the level of new housing development in the town, primarily through the development of four key sites - the town centre, the Canal Quarter, the North West Quadrant and the Southern Quadrant. This objective was reflected in the Core Strategy, which focused more than half of the annual District Housing requirement in the town, which was focussed within the two urban extensions.
- 5.4 In order to achieve the growth ambitions it was accepted that there would need to be a step change in the annual completion rates for the town of more than 300 dwellings. To drive this step change in housing delivery the Growth Point Programme proposed to develop an additional 4,800 jobs over the Growth Point period, with growth driven primarily by the increase in knowledge based industries and higher skilled and higher paid jobs for local residents.
- 5.5 To our knowledge the economic stimulus (i.e. the additional 4,800 jobs) that would have supported the step change in housing delivery has not happened meaning the growth aspirations for Grantham, and the associated development trajectories, are unachievable.
- 5.6 Without going back to first principles and re-assessing whether Grantham is still capable of delivering the original growth ambitions (in the absence of the economic stimulus) which the emerging local plan is still predicated on³⁵, it seems inevitable that the Council will continually fail to deliver its housing targets. We appreciate this is a contentious statement, especially given the stage in the Local Plan preparation with the Examination taking place at the time this report is being written.
- 5.7 If the Council is unwilling to reassess the growth potential due to the risks this may pose to the Local Plan process then Council will need to focus its economic development actions on Grantham in an attempt to create the additional jobs that will deliver the economic stimulus to drive a faster rate of house building.

³⁴ Objective 2

³⁵ Demonstrated by the fact that the local plan is seeking to allocated more than half of the of the District's housing supply in Grantham

6. Action Plan

6.1 Reflecting on the housing delivery analysis and barriers to delivery we have identified the actions set out below, which are aimed at increasing delivery across the District but more importantly within the urban expansion sites in Grantham.

6.2 The actions focus on the range of interventions open to the Council, recognising that a wide range of partners will need to be involved in helping to achieve the plan's objectives. Successful delivery of this plan will involve working with landowners, developers, registered providers, Homes England and other development bodies as well as infrastructure providers to ensure that more new housing is delivered within the urban expansion sites at an accelerated pace of delivery.

- The Council should establish a focused 'growth delivery board' within the Council which will bring together key internal stakeholders and help to embed the corporate importance of housing delivery across the Council as a whole.
- The Council should take a more pragmatic and positive view with respect to applications on windfall sites both within Grantham and the wider District.
- The Council should ensure it focuses its economic development actions on Grantham in an attempt to stimulate a faster rate of housebuilding.
- Support Councillors to develop a cross - party agreement on the importance of delivering new homes.
- Disaggregate the urban expansion sites - particularly Poplar Farm and Spitalgate Heath Garden village to enable SME developers to deliver at pace. This may require the Council or Homes England purchasing land from Buckminster.
- Establish a self-build and custom build register to record the interest of those looking to build their own home in South Kesteven and utilise this as a positive tool in development management decision making. Targeting a different segment of demand could help boost rates of development if there is a clear market for this product.
- Keep an ongoing dialogue with Buckminster to understand what progress is being made on the progression of the S106 Agreement and the discharge of the planning conditions at Spitalgate Heath Garden Village. The Council can use this information to help identify potential solutions to any issues as they arise as well as to keep the housing land supply position under review.
- Working with Buckminster and other landowners prepare a housing site prospectus for Poplar Farm, Spitalgate Heath Garden Village and other housing sites to accompany the Local Plan. These would set out details of the scheme, status and highlight opportunities for developers and registered providers;
- Work with landowners / developers through forums and promotion events to help engage with and steer the market (i.e. connecting land owners with developers and attracting new player's into the market).
- Working with Homes England the Council should seek to secure funding from the Affordable Homes Programme to increase the supply of new affordable housing in the urban extensions. Housing sites with a larger proportion of affordable homes deliver more housing quickly but currently viability constraints are limiting the level of affordable housing across both of the urban extensions.
- Introduce Planning Performance Agreements to direct and tailor resources for determining all aspects of the planning process from pre-application stage to the discharging of conditions. This is equally applicable to other large / strategic sites in other areas of the District.

- Set up a specific project /Steering group for Spitalgate Heath Garden Village and the former Prince of Wales Gloucester Barracks given its close proximity, comprising representatives from the County and District Council, landowners and utility providers etc. The purpose of this group will be to activity drive for and address the key challenges/ barriers in the delivery of these schemes.
- Appoint or identify a 'Housing Delivery Officer' to provide extra resource whose primary role will be to work with the various parties / organisations involved in the delivery of the urban extensions to monitor progress and where possible assist in accelerating the delivery of housing. This could be a district wide role rather than just focused on the urban extensions in Grantham.
- The Council should continue to explore opportunities for joint working with organisations such as Homes England to identify funds that can be used to improve the viability and de-risk the deliverability of the urban extensions not only within Grantham but across the District.
- The Council should take an active role in ensuring the future housing trajectory at Poplar Farm including by supporting Buckminster and the Country Council on their negotiations with Network Rail regarding the future provision of a new link road and bridge.
- The Council should take a pragmatic view on development viability within the urban extensions in view of their importance in achieving the Local Plan development trajectories³⁶. This will include exploring alternative ways of delivering affordable housing such as seeking support from Homes England as described previously.
- Monitor and bid for infrastructure funding as and when opportunities arise.
- Continue to maintain a strong housing related evidence base and set future goals for housing delivery in the full knowledge of what decisions are required to achieve them, and then consistently action these.
- Ensure realistic development trajectories are provided for the urban extensions and the former Prince of Wales Gloucester Barracks. This is fundamental if the Council are to reverse the Housing test Delivery Measurement. We understand that for the Local Plan examination the Council are assuming the following in terms of the trajectories for the three main strategic sites in Grantham:
 - Spitalgate Heath 225 dwellings in 5 years. As outlined previously the outline permission for Spitalgate Heath Garden Village (approved in February 2011 is subject to a number of draft conditions which include the need to agree a S106 Agreement and prepare phase wide or phase specific strategies, briefs and design codes - such as residential design codes, which will be used to guide the subsequent Reserved Matters submissions. We anticipate that it will take a period of 12 / 18 months to prepare these documents and thereafter a further period of say 6/8 months to secure the approval of the first Reserved Matters submission. Upon receiving the first Reserved Matters approval we envisage it will take a period of circa 6months until the completion of the first dwelling. On this basis, it could take between 2 and 2.5 years (24 to 32 months) for the first dwelling to be completed at Spitalgate Heath Garden Village. In addition, the delivery of Spitalgate Garden Village is dependent on the construction of the Grantham South Relief Road (GSRR). The first phase of the relief road was completed in 2015 and the second phase is due to commence in June 2019 and should last 18 months. Phase 3 is planned to commence in December 2019 and should last 3 years with an estimated completion date of December 2023). In advance of the relief

³⁶ We note that the Council has agreed to main modifications to the Local Plan through the examination hearing to take account of viability issues in Grantham. This will amend Policy H2 to introduce a 20% affordable housing requirement within the 'urban area' of Grantham and to retain 30% requirement elsewhere in the District. It will also amend text of Policy H2 as per the Councils statement regarding the particular challenges of previously developed land, and extend this to the Grantham urban extension allocations, so that these will be subject to individual viability studies to determine levels of affordable housing.

road, a total of 125 dwellings can be delivered of the existing highway network. Within this context it seems sensible to show no housing being delivered on Spitalgate until 2022/23. This would equate to a delivery rate of circa 75 dwellings per annum over the remaining three years.

- o Rectory Farm 175 in 5 years. Assuming permission is granted this year. That would equate to 35 dwellings per annum, which seems reasonable. However, the applicants are challenging the affordable housing policy on viability ground so there is no guarantee that the permission will be granted this year. Hopefully, members take a more pragmatic view than they did on Spitalgate but this is another scheme which may become stuck in the quagmire of viability. We would assume delivery over years 2 to 5, which would equate to circa 45 dwellings per annum but the current application will need to be closely monitored to ensure the trajectory is deliverable.
- o Whilst we note that the PWOg is not included in 5 year supply we note that the Council has agreed a Statement of Common Ground with the MoD assuming that 1775 will be built by 2036. Assuming a start on site in 2020 this would mean 1,775 units are delivered over 16 years (circa 111 per annum). These trajectories seem overly optimistic and it is assumed that development can't commence on this site until completion of the GSSR which is not due to happen until 2023. It must also be acknowledged that PWOg could be in direct competition with Spitalgate (as the sites are directly adjacent to one another) for a period of time which might slow down the pace of delivery / sales than would otherwise be the case if they were each coming forward in their own right.

- 6.3 The Council could also take an active role in the delivery of the urban extensions, more so Spitalgate Heath Garden Village in view of the fact that the eastern half of the North West quadrant is progressing and the majority of western half of the urban expansion is owned by two house builders.
- 6.4 The Council could have different roles in the delivery of the Garden Village. For example it may choose to engage with delivery of the garden village through its statutory planning function, relying on the private sector to deliver development. Alternatively, it may decide to invest in infrastructure or other aspects of the development; or decide to acquire land and enter some form of partnership with the landowners.
- 6.5 The Council is currently developing a business case with a view to creating a delivery partnership with the housing sector and the support of Homes England that will focus on the delivery of Council, affordable and market housing, across the District. It is intended that the delivery vehicle will both deliver new housing itself and act as a stimulus to provide sector led development in key sites across South Kesteven and will utilise HRA borrowing, other Council funding sources alongside leveraging grant and private sector investment to support delivery at scale. It is intended to establish the vehicle in the first half of 2020/21, with the ambition of delivering in the region of 300 homes per annum.
- 6.6 Finally we are aware that the Councils Housing Strategy 2017 - 2021 sets out a number of actions to help address some of the housing challenges face in the District. The actions identified within this report should continue to be taken forward and where feasible aligned with the actions in this report to maximise the impacts.
- 6.7 The success of this Action Plan will ultimately be evaluated through the impacts that occur with housing delivery. The monitor and report on delivery and consider actions to address under performance. A full review of the Action plan will occur annually to consider additional actions or necessary amendments.

Contact Details

Enquiries

Dale Robinson
0113 280 8074
Email dale.robinson@avisonyoung.com

Visit us online

avisonyoung.co.uk

Avison Young

City Point, 29 King Street, Leeds LS1 2HL

Avison Young is the trading name of GVA Grimley Limited

© 2019 GVA Grimley Limited