

## **The Island Planning Strategy (IPS) 2021**

Response from Robert Seely, Member of Parliament for the Isle of Wight

September 2021

## 1. Key headlines

- 1.1. **The new plan should, on principle, challenge the government-set standard assessment of housing need.** I am concerned that the Standard Method approach, although now capped at an aspirational delivery level of 486dpa, is both unsustainable and unsuitable for the Island. All the Island's population growth is driven by net internal migration, with a net increase solely in households over the age of 65.<sup>1</sup> Even with net internal migration, the Island's working-age population is declining. Over 25 percent of the Island's housing need is generated by an affordability adjustment that, rather than supporting Islanders, makes Island houses more attractive for the mainland market.

Since housing targets and the Island's housing needs assessment conflate local need and external demand, and development viability on the Island is poor, development is not meeting Island needs. Affordable delivery has averaged just 6 percent of completions.<sup>2</sup> 25 percent of Island households cannot afford 'affordable' housing.<sup>3</sup>

I believe there is strong local support for the Island to argue exceptional circumstances and build primarily for the needs of Islanders. This would mean creating our own housing needs assessment, as promised by the Isle of Wight Council in September 2019,<sup>4</sup> in addition to and as a complementary assessment to the Council's work evidencing the Island's delivery constraints. This would help inform a mix and level of local housing need that truly supports Islanders. MHCLG officials have offered the Council support preparing the Island Plan in light of unique issues facing the Island, and the Government has informed me of the potential viability of this method. (Section 4.)

- 1.2. **The method used to generate the housing target is not appropriate for calculating the Island's current or future needs.** First, I am concerned that the number of dwellings per annum proposed does not take into account housing needs, only past delivery. Second, we need a more sustainable future agenda. Finally, the target figure - calculated by taking a 'combined plan period average' - is statistically incorrect. We do not know why the figure has been calculated in this way. There is no evidence of its robustness or why it represents an island realistic delivery number. This method can't be used because it incorrectly overcounts certain years (increasing the delivery target). It is reasonable to suggest a target above 457dpa (the 20-year average) cannot be justified as representative of past levels of delivery. Additionally, due to an outlier in locally held data, the data on completions is based on differing sources for differing years. Using recognised national completions data results in a 20-year average of 443 dpa, a difference of 645 homes in the plan period compared to the target. (Section 7.)
- 1.3. **The housing target still places unrealistic and unsustainable demands on the Island.** The new target of 7,290 homes in the plan period (a c.10 percent increase in housing stock) is higher than the average delivery on the Island in the past 20 years. I am concerned that building this number of homes is no longer sustainable or possible on the Island.

Although the new target of 486dpa takes into account past delivery, it is based on a form of past average that is concerning based on years of peak delivery that took place during the credit boom over 10 years ago. In addition, due to the effect of incorrect weighting, it overcounts these years, inflating the average. The sensitivity of the average to peak delivery, exacerbated by the erroneous weighting of the target, makes it 18 percent higher than the median delivery in the last 20 years and 29 percent higher than median delivery in the last 10 years. I have seen no local support for an increase in the rate of development on the Island. We do not have the infrastructure, public services or inward investment to support such an increase.

Nor is such an increase achievable. National housebuilders are no longer willing to build on the Island. With the long-term divergence of the Island's housing market with the South East, peak years

<sup>1</sup> [https://www.housingnet.co.uk/pdf/PE\\_Report\\_IsleofWight\\_FINAL\\_05092019ZCPREZFORZRELEASE.pdf](https://www.housingnet.co.uk/pdf/PE_Report_IsleofWight_FINAL_05092019ZCPREZFORZRELEASE.pdf), 3.10

<sup>2</sup> <https://www.iow.gov.uk/azservices/documents/2981-4-Draft-IPS-evidence-paper-Housing-D.-Barriers-to-housing-delivery.pdf>, 'Delivery of Affordable Housing'

<sup>3</sup> <https://iwightinvest.com/wp-content/uploads/2020/01/IW-draft-housing-strategy-2020-for-consultation.pdf>, p.7

<sup>4</sup> <https://www.iow.gov.uk/news/Council-to-challenge-housing-targets>

are unlikely to return. Even with the highest residential rate of approval in the South East, local policies overruled by government sanction, and over 2000 dwellings permissioned and unbuilt, none of the last 10 years of delivery would have met the new target. (Section 7.)

- 1.4. **By setting a target that cannot be fulfilled, I fear the plan puts the Island squarely at risk of failing the housing delivery test.** This would perpetuate a loss of planning control, and fuel a damaging trend of unsustainable, speculative and unaffordable development in highly inappropriate greenfield locations.
- 1.5. **We need better protections for the Island's undeveloped landscape.** Land disturbed by urban development on the Island doubled from the 1960s to 2007.<sup>5</sup> An estimated 72 species are considered to have become extinct locally within the last fifty years.<sup>6</sup> I welcome the improvement in the housing mix and the priority given to brownfield sites in the plan. The plan better recognises the importance of the Island's natural environment. But to protect the Island's historic natural character and landscape for generations to come, we need a lower proportion of greenfield development. To make this happen, we need a lower housing target. The Island's historic landscape is amongst England's most varied and accessible. The Island depends on tourism. To protect this treasured landscape, I am calling for broader recognition and support for wider statutory designation of the Island, underlining its importance and unity as a whole. As I have set out in response to the previous consultation, this includes options for expanding the Island AONB, or creating a novel and exemplary 'Island Park' designation with the advantage of this being tailored to our needs.

Protections should include recognition of the Island's landscape as a UNESCO biosphere and recognition of the importance of sustainable interaction with the environment. For the plan to be sustainable we need to better recognise the importance of all undeveloped spaces.

In this context, I am concerned that the plan seeks to expand several settlement boundaries. 98 percent of sites cannot be said to be in settlement boundaries if those boundaries are themselves drawn around allocated land (land suitable for housing). (Section 4.)

- 1.6. **We should celebrate the Island's design and beauty.** There is now stronger recognition in the plan that villages on the Island have a historic and beautiful local vernacular. Too often, developments on the Island have been unpopular, car-dependent, and insensitive to local character. The Island should be an exemplar in beautiful development, with a sensitive and historic local design code. Whilst the updated policy on high quality design is welcome, this is an opportunity for the Council to come together with local communities and designers to transform the standard and character of the properties we build. Beautiful developments, for Islanders, in sustainable locations, are something we can all support. For this reason, the new local plan must stress the need to build sustainably using local designs. The local design code must recognise and celebrate the Island's traditional building styles. This includes distinctive Island vernacular architecture. I support local designs which recognise and celebrate the Island's historic sense of place and pattern of design.
- 1.7. **The plan allows other windfall sites to come forward in excess of 486dpa if they adhere to the Island Plan.** There is no development cap for infrastructural and environmental pressure. The concern is that this permits the easiest, most profitable greenfield sites to be built first, in excess of the housing target, without delivering the housing which islanders need most.

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<sup>5</sup> <http://publications.naturalengland.org.uk/file/5019095032397824>, p.33

<sup>6</sup> <https://www.wildonwight.co.uk/species/species.php>

## 2. Overview of key concerns

### Housing need and the housing requirement

- 2.1. The 486dpa housing requirement is calculated as an average of six overlapping 15-year averages since 2000/01 (the 'combined plan-period average'). This is a more realistic housing number and a step towards ensuring the Island can move away from the presumption in favour of sustainable development. I support a better mix of greenfield and brownfield sites in sustainable locations.
- 2.2. However, the average delivery for the period cannot be calculated in this way. This calculation is incorrect and has no meaning. There is no evidence of the rationale for choosing the figure in the plan or how it demonstrates an Island realistic delivery number. There is no evidence that it is robust or statistically sound. (Section 7.)
- 2.3. Evidence Paper A questions the deliverability of 486dpa. Looking at past delivery, the Island's housing market is unlikely to meet 486dpa in a given year. The target should not be brought forward if it is undeliverable. (Section 7.)

### Building for Islanders

- 2.4. The IPS allocation affordability target is 35 percent of delivery for sites above 10 units (27 percent of delivery overall, based on allocations). However, at the actual level of delivery (c. 67% of completions on sites above 10 units), the corresponding level of affordable homes would be 23 percent (111dpa). There is some confusion here as Evidence Paper A points to a simple application of 35 percent affordability, resulting in 170dpa, but not all these homes are allocated.<sup>7</sup>
- 2.5. The realistic affordable delivery figure is therefore below the number of families on the housing register as of 2020<sup>8</sup> and half the affordable housing need estimated by the 2018 Housing Needs Assessment,<sup>9</sup> without taking into account viability.

### Protecting green spaces and prioritising brownfield sites

- 2.6. A majority of development planned for in the IPS is now on brownfield land, more open spaces are protected, and there is greater recognition of the importance of landscape and natural character to the Island.
- 2.7. The mix of greenfield and brownfield sites is largely dictated by the housing target; the lower target has allowed some but not all greenfield sites to be removed. In order to meet the target, a number of contentious greenfield sites are still allocated, including Westridge Farm, Ryde, Crossways, East Cowes, and Birch Close, Freshwater.
- 2.8. Major spatial changes in the plan include:

*(ii) The removal of sites outside settlement boundaries*

*(iii) Settlement boundaries adjusted to include all allocated sites*

Evidence Paper D, [4.8]

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<sup>7</sup> <https://www.iow.gov.uk/azservices/documents/2981-1-Draft-IPS-evidence-paper-Housing-A.-Approach-to-the-housing-number-in-the-Draft-IPS.pdf>, Para 9 (Summary)

<sup>8</sup> <https://iwightinvest.com/wp-content/uploads/2020/01/IW-draft-housing-strategy-2020-for-consultation.pdf>, p.19

<sup>9</sup> <https://www.iow.gov.uk/azservices/documents/2782-IWC-HNA-April-2018.pdf>, p.14

- 2.9. A key benefit of the IPS is that 98 percent of allocations are now located within the settlement boundaries, thus reflecting sustainable growth in primary settlements. However, some settlement boundaries have been adjusted to include all allocated sites.
- 2.10. For example, the settlement boundary for Ryde has changed since the Core Strategy (2012) and Unitary Development Plan (UDP) (2001) and now includes the allocation for 475 homes on Westridge Farm, which was previously outside the settlement boundary/development envelope. This site makes up over **5 percent of the allocated housing number**. Both sites allocated in Bembridge, for example, are also outside the development envelope of the UDP. We would like the Council to review settlement boundaries with a view to preventing both urban sprawl and coalescence, and to prevent greenfield development with the pretence of being within a settlement.
- 2.11. As the UDP points out, development envelopes "have formed the basis for defining the limits of urban growth in local plans".<sup>10</sup> The danger is that by drawing the development envelope/settlement boundary around new developments as has been the case at Westridge Farm or Bembridge, their function is fundamentally undermined. Indeed, these boundaries, if "adjusted to include all allocated sites", are no longer "limits of development". This raises questions about their purpose. The settlement gap between Ryde and Seaview/Nettlestone is likewise one that has been drawn around the Westridge Farm allocation. Settlement gaps have no purpose if they shrink every time a new site is allocated.
- 2.12. Elements of the plan are misleading and appear to understate the amount of development on the Isle of Wight. The plan notes that '1 percent' of the Island is now allocated for employment and housing land. National (experimental) statistics suggest 8 percent of the Island is developed.<sup>11</sup> This figure excludes residential gardens, which if added to developed uses, takes the total to around 15 percent developed. Even '1 percent' of the Island would therefore be a 12.5 percent increase in developed land; around an 8 percent increase in developed land including residential gardens (assuming the allocated figure also takes into account these spaces); or around a 10 percent increase in housing stock. The level of development is 30 percent less than the last Island plan, which allocated 1.3 percent of the Island.

### **Exceptional circumstances in infrastructure delivery**

- 2.13. Policies have been revised to ensure that development comes forward with additional contributions to support healthcare and long-term infrastructure. The plan notes Islanders' concerns about the housing target and the need to support delivery with infrastructure. There is now recognition that garden communities in rural locations could not be supported. However, healthcare and other major infrastructure remains broadly the same as the last plan, with the addition of a possible health hub at Nicholson Road, Ryde. The new plan no longer places the same emphasis on the need for primary school places in regeneration areas. There is also no longer a reference to supporting a bridge across the river Medina.
- 2.14. There are a number of reasons to suggest that iterative infrastructure delivery of the levels seen in the past is no longer sustainable on the basis of environmental, infrastructure and other constraints to supporting growth on the Island (NPPF 11b).
- 2.15. **Central funding.** As set out in the original consultation response, the Island has suffered historic disadvantage in public service and infrastructure funding. Despite a c.50 percent increase in population in the last 60 years, the Island's road layout is largely unchanged outside of Newport since the 1930s.<sup>12</sup> There remains concern that an iterative, opposed to strategic approach to major infrastructure is placing unsustainable pressure on road, electricity and water resources. The Island

<sup>10</sup> <https://www.iow.gov.uk/azservices/documents/2782-D9-Isle-of-Wight-Unitary-Development-Plan.pdf>, 4.5

<sup>11</sup>

<https://app.powerbi.com/view?r=eyJrjoiMDIjMzc1NDAtZDE5NC00ZTI0LTkzMiltY2ZiZWVhNzk0MGQxiiwidCI6ImJmMzQ2ODEwLTljN2QtNDNkZS1hODcyLTl0YTJlZjM5OTVhOCJ9>

<sup>12</sup> Strategic Outline Business Case for RYR Investment in the Isle of Wight, Isle of Wight Council, June 2021

does not have the inward investment or Government funding to support public services and infrastructure projects for new homes to the same standard as the mainland. The level of housing the Island can support is constrained in this regard.

- 2.16. **Healthcare and community infrastructure.** Health deprivation is 50 percent worse than the national mean on the Island and the Island has the highest median age of CCGs in England.<sup>13</sup> Projections see this trend exacerbated, with the Island set to see a decline in its working age population and significant ageing. 55 percent will be over 65 on the Island in 2034 compared to 35 percent nationally.<sup>14</sup> The result is an increasing dependency ratio with staff shortages in the care sector already becoming more visible.
- 2.17. As the HNA points out, the Island's market is characterised in part by mainland buyers with asset wealth from stronger housing market areas looking for relatively affordable 'aspirational' or retirement properties. An ageing profile of net internal migration (the gap in age between those settling on the Island and those leaving) is adding significantly to the Island's ageing. As such, the Island Plan is closely linked to an increase in pressure on the Island's healthcare services, not only from an increasing population but also from the ageing effect of in migration.
- 2.18. The growth in population projected in the plan, in households solely over the age of 65, would see a considerable increase in the prevalence of chronic conditions. The impact of these changes on the Isle of Wight will be disproportionate, due to the unequal impact of the structural staffing and funding challenge on the Island. The HNA projects a 56.5 percent increase in mobility problems on the Island, 70 percent increase in dementia and 21.3 percent increase in the population with long-term health problems or a disability to 2034.<sup>15</sup> Specific, tailored policy interventions in housing type, the dependency ratio and healthcare infrastructure are required now for the plan to be sustainable.
- 2.19. **Electricity.** The Isle of Wight's electricity network can no longer cope with the thermal impact of the peak generation from renewable sources on the Island.<sup>16</sup> This has led to the grid operator reducing the output of renewable generation. The Council's 2030 net-zero target combined with population growth again raises questions as to whether the Island's long-term infrastructure is sufficient to support the planned delivery number. I am concerned by the increased pressures that existing levels of delivery would place on the network and again, if the level of housing the Island has delivered in the past can be supported today.
- 2.20. **Water.** In droughts, Southern Water currently have around one fifth of the supplies needed in Hampshire. c.30 percent of the Island's water is imported from the Mainland. Short-term restrictions of water usage until at least 2027 are likely to be required on the Island, temporary use bans are likely to be required approximately once every two or three years; wider restrictions once or twice every ten years.<sup>17</sup> Water transfers from the mainland are expected to increase four-fold to 2050.<sup>18</sup> A desalination plant may be required on the Island for the period 2045-2070.<sup>19</sup>
- 2.21. **Sewerage and conservation of marine and river environments.** The Island fits a regional pattern of increasing stormwater discharges into the Solent and the use of outfalls even in summer months. Increases in population, development pressure and climate change are exacerbating the issue and placing unsustainable pressures on the Island's water system.
- 2.22. Southern water data<sup>20</sup> shows stormwater discharge periods began on the Island on over 126 of 365 days in 2020, some continuing for days and even weeks at a time. The number of days on which spills

<sup>13</sup> IW Sustainability Plan, Isle of Wight CCG, January 2019

<sup>14</sup> [https://www.housingnet.co.uk/pdf/PE\\_Report\\_IsleofWight\\_FINAL\\_05092019ZCPREZFORZRELEASE.pdf](https://www.housingnet.co.uk/pdf/PE_Report_IsleofWight_FINAL_05092019ZCPREZFORZRELEASE.pdf), p.14

<sup>15</sup> <https://www.iow.gov.uk/azservices/documents/2782-IWC-HNA-April-2018.pdf>, p.156

<sup>16</sup> <https://energy.soton.ac.uk/realising-the-isle-of-wights-aspiration-for-renewable-energy-power-generation-and-local-consumption/>

<sup>17</sup> [https://www.southernwater.co.uk/media/3656/5025\\_wrmp\\_v11.pdf](https://www.southernwater.co.uk/media/3656/5025_wrmp_v11.pdf), p.12

<sup>18</sup> [https://www.housingnet.co.uk/pdf/PE\\_Report\\_IsleofWight\\_FINAL\\_05092019ZCPREZFORZRELEASE.pdf](https://www.housingnet.co.uk/pdf/PE_Report_IsleofWight_FINAL_05092019ZCPREZFORZRELEASE.pdf), p.4

<sup>19</sup> <https://www.southernwater.co.uk/media/1332/dwrmp19-technical-overview.pdf>, p.74

<sup>20</sup> <https://www.southernwater.co.uk/our-performance/flow-and-spill-reporting>

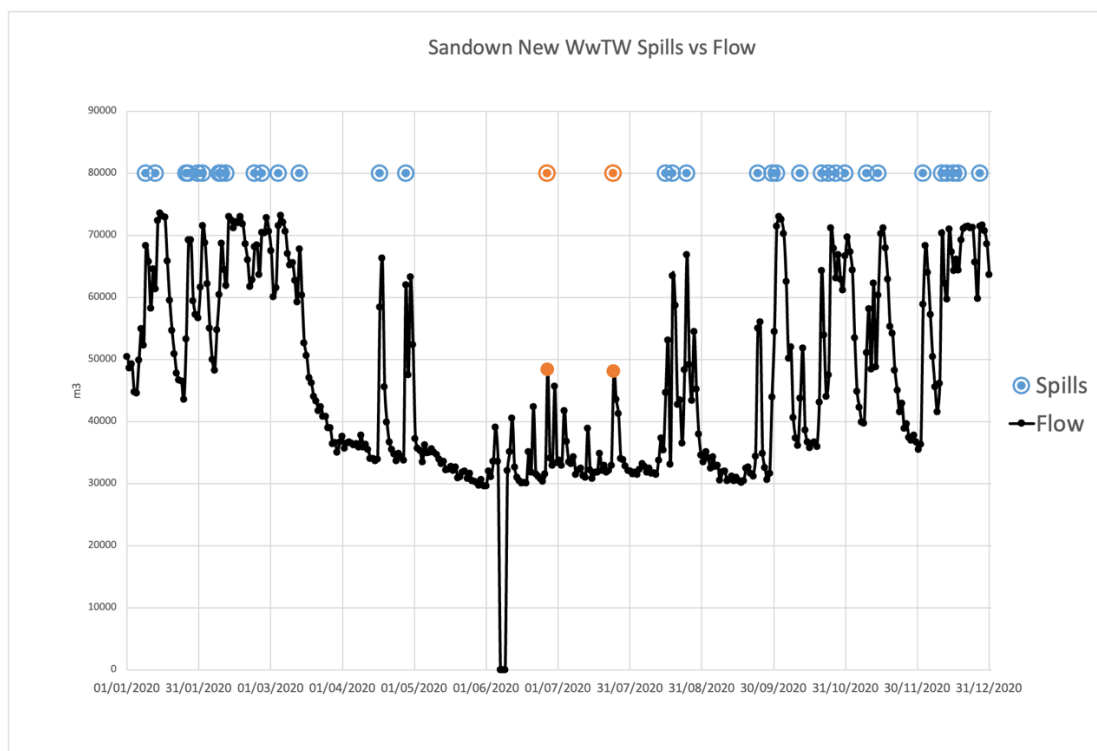
occurred is higher, as, again, spills are regularly ongoing a number of days and even weeks from the start date of the spill period.

2.23. Five outfalls had individual spill periods with a discharge time in excess of 400 hours, over 16 days. 12 outfalls on the Island each had in excess of 60 spills in 2020, with 13,157 hours of combined discharge duration. Discharges from just one storm overflow at Sandown Wastewater Treatment Works (WwTW) occurred for a combined total of 71 days. Looking at the 2020 profile of flow (water treated) and spills recorded by event duration monitoring (EDM) for both Sandown New WwTW Settled Storm Overflows (SSOs) it is clear that spills are already a regular, year-round occurrence.

2.24. Such spills are harming the amenity and perception of popular and beautiful beaches on the Island. In the long term, spills with a high nutrient concentration are causing long-term damage to the precious and nationally designated marine environments in the Solent. 8 of 10 Island rivers are now heavily modified and none are rated good.<sup>21</sup> The Caul Bourne, Eastern Yar (Lower), Eastern Yar (Upper), and Wroxall Stream have all been affected and prevented from being rated good by water industry pollution since 2014.

2.25. A number of treatment plants on the Island already breach discharge permits.<sup>22</sup> With more pressure on the Island's water system, I am concerned that spills are set to become more commonplace and believe immediate mitigation is required.

*Sandown New WwTW Spills vs Flow, 2020*



Source: Southern Water Spill and Flow Data 2020, Sandown New No.1 SSO and No.2 SSO<sup>23</sup>

### Climate change, environment and flood risk

<sup>21</sup> <https://environment.data.gov.uk/catchment-planning/OperationalCatchment/3235/Summary>

<sup>22</sup> <https://www.push.gov.uk/wp-content/uploads/2018/07/IWMS-Appendix-1.pdf>, p.22

<sup>23</sup> Settled Storm Overflow (used to outfall from Sandown WwTW when treatment capacity is exceeded)

- 2.26. Flood risk in new development in the IPS is managed by the application of the sequential test (not yet updated by Government to match the new NPPF) and the exception test (when in flood zones 2 and 3). There is now greater emphasis on land management in areas without 'hold the line' status.
- 2.27. The IPS revises a clause in HQE11 such that in EV14, requirements for on-site sustainable drainage systems now only apply to major development. EV14 also no longer explicitly requires developments to meet the tests of the local Strategic Flood Risk Assessment and Local Flood Risk Management Strategy. There is concern that these policies should apply to all developments. Undoubtedly, the level of development proposed, if unmitigated, would have a detrimental impact on water quality, downstream flood risk and climate targets.
- 2.28. In transport, to meet the Council's sustainability objectives (net-zero by 2030) would require car trip volumes to decrease to 60 percent of the 2011 level.<sup>24</sup> The additional parking spaces and cars (required by IPS policies - see T6), increasing traffic, lack of updated long-term modelling (since the last IPS) and lack of strategic infrastructure in the plan do not provide confidence in this target.
- 2.29. More broadly, the housing target results in serious environmental stress. There are no targets beyond aspirational statements throughout the plan that would allow the net-zero target to be met. Net-zero by 2030 would require truly radical changes far beyond the scope of those set out in the plan.

#### **Past rates of development**

- 2.30. Using the delivery average to set the future delivery target is a trend-based method that feeds past rates of development into future years. IWC have so far planned positively for a relatively high target of 520dpa at the highest residential rate of approval in the South East. To protect the Island's landscape and quality of life may demand policy intervention, rather than seeking to meet the maximum possible delivery level.

#### **Other concerns**

- 2.31. G1 retains the presumption in favour of development in PDSG2; when policies are out of date, the council will grant permission according to the NPPF.
- 2.32. CSSHC11 (Utility infrastructure requirements for new development) is rolled over directly into C12. CSSHC13 (Social and community infrastructure) policies are also rolled over into C14.
- 2.33. The plan no longer considers the track record of applicants to ensure that planning permissions are delivered. [PSDG6, G5]
- 2.34. There is no change to the viability policy. [PSDG5, G4]
- 2.35. The plan suggests, "we need to improve the supply of aspirational housing [...] providing sites for larger and/or higher specification dwellings" [2.37] – however, without ringfencing the housing mix, this policy encourages developers to bring forward the easiest and most profitable sites first without meeting Island needs.
- 2.36. The IPS rolls over BCI 2 and BCI 4 into T2 (supporting sustainable transport) and T4 (supporting our railway network) but both could be revised to support the Isle of Wight Restoring Your Railway bid.
- 2.37. The plan rolls over BCI 6 (parking provision in new development) into T6, stating that "all new proposals will be expected to provide well designed, landscaped and integrated parking for vehicles and bicycles." I am concerned that this perpetuates the model of low-density, car-dependent estates in unsustainable locations.

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<sup>24</sup> Strategic Outline Business Case for RYR Investment in the Isle of Wight, Isle of Wight Council, June 2021



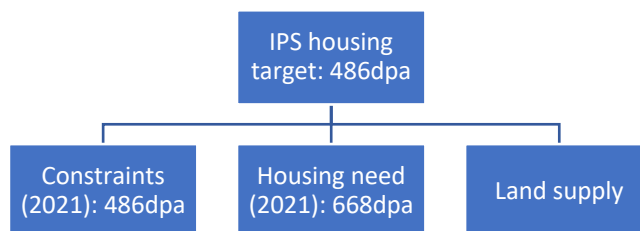
- 2.38. Pennyfeathers is listed as yielding 545 dwellings in the plan period - however over 900 homes are actually permitted.
- 2.39. There is some concern that the plan will allow for other windfall sites to come forward in excess of 486dpa if they adhere to the Island Plan; there is no development cap for infrastructural and environmental pressure.

### 3. Housing Need

#### Background

The local plan housing requirement is based on the objectively assessed need for the area and the extent to which this need can be met over the plan period.

#### IPS Housing Requirement



- **Objectively Assessed Housing Need (OAN):** Local authorities are expected to use the Standard Method to calculate their housing need, but in exceptional circumstances, an alternative method which reflects demographic trends and market signals can be used (National Planning Policy Framework (NPPF) Paragraph 60).
- **Housing requirement:** The housing requirement is based on the extent to which the OAN can be met over the plan period. This can be determined by a) environmental or delivery constraints or b) if the development that would result from meeting the OAN would, on the whole, be a net detriment to the area, based on national policies. (NPPF Para 11b. and Footnote 6)
- **Land supply**

The Island Plan seeks to meet as much of the Government-set need as possible, building at the aspirational rate of delivery (above past rates).

### 4. The Standard Method

In 2018, the NPPF introduced a Standard Method for calculating the OAN. The OAN for the Island was 641 dwellings per annum (dpa) as of the 2018 Housing Needs Assessment (HNA). A proposed update to the method would have led to an OAN of 1045dpa. Following ministerial intervention, the proposed update was rolled back, returning to the 2019 method with the addition of a 35 percent affordability adjustment for the 20 largest urban areas. The Island’s indicative housing need was 688dpa as of 2020 and 668dpa as of 2021. The calculation for 2021 is shown below.

#### Standard Method HNA Methodology

Stage	Component	Method	Source
1	Demographic baseline	Household Projections	2014-Based Household Projections, MHCLG

2	Affordability Adjustment	$\text{Adjustment factor} = \left( \frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$	House price to workplace-based earnings ratio, ONS
3	Cap	Variable	Local Plan Data, MHCLG
4	Urban adjustment	Variable	ONS Major Towns and Cities, ONS
	<b>Total (OAN)</b>	<b>(Baseline * Affordability Adjustment) + cap + urban adjustment</b>	

Indicative Standard Method OAN for the Isle of Wight Local Planning Authority (LPA) - 2021

Component	Outcome	Year/Source
Baseline	<p>Projected Households (2021) = 65,609                      Projected Households (2031) = 70,940</p> $\frac{70940 - 65609}{10} = 533.1$ <p>533.1 households per annum, 2021-2031</p>	<p>2014-based,                      (Live Table 406)                      2021-2031</p>
Affordability Adjustment	<p>Local affordability ratio<sub>2020</sub> = 8.05</p> $\text{Adjustment Factor} = \left( \left( \frac{8.05 - 4}{4} \right) \times 0.25 \right) + 1$ <p>= 1.253                      (25.3 per cent)</p>	<p>2020</p>
Cap	None	
Urban adjustment	None	
Total (OAN)	<p>= 533.1 × 1.253                      = 668 dpa</p>	

## 5. The IPS Housing Requirement

In September 2019, the IWC intended "to prepare an evidence-based case that demonstrates the real housing needs of the Island."<sup>25</sup> The intention was reported nationally ('Isle of Wight emerging plan to use non-standard method housing need figure').<sup>26</sup>

The initial strategy appears to have been to challenge the Standard Method of assessing housing need based on the Island's exceptional demographic and housing market circumstances (Paragraph 60 of the NPPF). MHCLG officials offered assistance to the LPA.

IWC commissioned a housing needs survey and two phases of research into Housing Delivery on the Isle of Wight by the University of Portsmouth. The first phase, published 30<sup>th</sup> August 2019, clearly identifies concerns with the Standard Method as central to the Island's housing requirement.

Subsequent research (University of Portsmouth, Three Dragons Consultancy) shifts in focus to delivery constraints, rather than housing need. This research primarily concerns the Island's reduced ability to deliver the OAN.

IWC later sought advice from Michael Bedford QC of Cornerstone Barristers. His opinion advised the Council to focus on delivery constraints and options to improve delivery within this framework.

The IPS approach is subsequently based on based on NPPF guidance that a local plan's housing requirement should reflect the extent to which housing need can be met. The IPS recognises the Island's housing need as accurate (668dpa) and sets the Island housing requirement by capping the Standard Method at the level of perceived delivery constraints (486dpa).

The cap is set by the average of six averages from 15-year plan periods since 2000.

### *The IPS Housing Requirement*

15-year period	Total number of homes delivered
2000/01 – 2014/15	7443
2001/02 – 2015/16	7500
2002/03 – 2016/17	7441
2003/04 – 2017/18	7311
2004/05 – 2018/19	7151
2005/06 – 2019/20	6914
Sum of homes	43760
Sum of years	90
Combined plan period average (sum of homes/sum of years)	486dpa

Housing number	Dwellings per annum	% difference (486dpa)
Regulation 18 Island Plan 2021	486	0%
Island Plan 2018	641	-24%
Core Strategy (2012)	520	-7%
Unitary Development Plan (UDP) (2001)	533	-10%
8-year average delivery	364	+34%
10-year average delivery	365	+33%
20-year average delivery	457	+6%

Source: Evidence Paper A, MHCLG Live Table 253

<sup>25</sup> <https://www.iow.gov.uk/news/Council-to-challenge-housing-targets>

<sup>26</sup> <https://www.planningresource.co.uk/article/1660569/isle-wight-emerging-plan-use-non-standard-method-housing-need-figure>

## 6. Exceptional circumstances

- 6.1. As discussed by the University of Portsmouth, the Island's housing need is determined in two critical steps: the use of household projections and the application of the affordability adjustment.

*"In essence, the Standard Method is based on meeting the household growth prediction and an additional penalty (more housing required) if the area is deemed unaffordable (based on the ratio of median workplace-based earnings to house prices). The rationale being that an increase in the number of homes built will reduce house prices and rebalance the affordability ratio.*

*Therefore, there are two potentially discriminatory assumptions that need to be understood. Firstly, the household growth projection on the Island includes in-migration.*

*Secondly, there is an assumption that the affordability of local residents (workplace based) is a meaningful measure and can be tackled by building more homes, even if those residents are not the ones buying them.*

*[...] therefore, the **second phase intends to address the following question: If more housing was delivered, and this resulted in lower house prices on the Island, would this allow local residents to purchase them or would this simply fuel the demand from the mainland?**"<sup>27</sup> (emphasis added)*

- 6.2. We are in a position to set out preliminary answers to this question, but the Island does not yet have a published Housing Needs Assessment based on a local method.
- 6.3. It is clear, nevertheless, that the Housing Needs Assessment for the Island (2018) conflates external demand and local need; applies a national template affordability adjustment; uses old data for policy-driven reasons on a discretionary basis; and if repeated today, would include yet another policy adjustment for urban areas. It is neither objective nor an assessment of the Island's needs.
- 6.4. Looking at other measures of need, the Island's rate of overcrowding is just c.50 percent of that nationally (2018 HNA). Conversely, the Island's rate of vacant homes is around double the national average (2018 HNA). This points to alternative measures and local appraisal of the market generating a more accurate and targeted figure of need than the Standard Method HNA.

## The demographic baseline

The demographic baseline uses the ONS 2014-based household projections to estimate the growth in households on the Island in the plan period. The Island's baseline growth in households is projected to be driven entirely by internal migration and the overall household increase is set to be in households entirely over the age of 65.

Potential exceptional circumstances in the demographic baseline are as follows:

- 6.5. Housing need and external demand
- 'Housing needs' have generally been distinguished from 'demand' as arising where housing provision is unsatisfactory. As 'reason for moving' surveys point out, an amount of projected growth on the Island is for reasons outside of need, for example location decisions such as retirement.
  - The Island's needs assessment should therefore target needs in the context that the Isle of Wight market is driven by "a) investors from the mainland (buy-to-let), second homes investors and

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<sup>27</sup> <https://www.iow.gov.uk/azservices/documents/2981-6-UoP-Phase-1-report-Housing-Delivery-on-the-Isle-of-Wight-October-2019.pdf>, p.17

retirement accommodation buyers and b) local first-time buyers, local up-sizing and local elders." There is currently a 50-50% new-build split between locals and buyers from the mainland.<sup>28</sup>

#### 6.6. Circularity of household projections

- Due to the Island's demographic baseline, the Standard Method sets need and thus supply based on household projections that depend on levels of internal migration. However, internal migration itself depends on housing supply and house prices.
- This is not necessarily a problem that is unique to the Island, but is exacerbated on the Island due to the fact that internal migration accounts for the entirety of growth.
- For example, the plan states, "the island population is increasing [...] therefore growth is needed." This cannot be concluded because the Island's population growth is a function of housing completions (growth dictates population increase).
- Another reason the plan cites for growth in population is increasing life expectancy. Again, there can be no growth in absolute population on the Island due to a local increase in life expectancy, because more deaths are projected than births. This factor only explains an increase in population at the national level.

#### **The affordability adjustment**

The affordability adjustment uses a ratio of income and house prices to identify where persistent undersupply and a backlog of housing need have driven up house prices to levels which are unaffordable. The affordability adjustment responds by setting a target that is higher than the projected demographic baseline (increase in households) in order to lower prices.

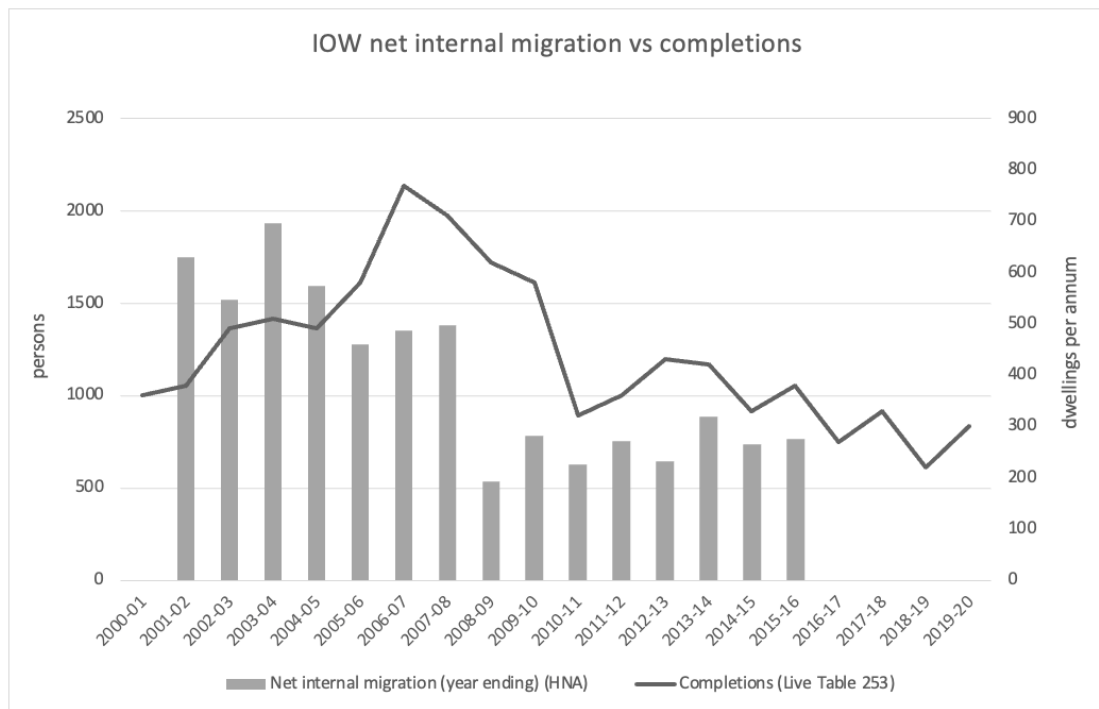
Potential exceptional circumstances in the affordability adjustment are as follows:

#### 6.7. Subregional differences in affordability

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<sup>28</sup> <https://www.iow.gov.uk/azservices/documents/2981-6-UoP-Phase-1-report-Housing-Delivery-on-the-Isle-of-Wight-October-2019.pdf>, p.56

Isle of Wight net internal migration vs delivery, 2000/01 - 2019/20



Source: ONS, HNA 2018

- The Island’s demographic baseline is driven by internal migration. As broadly seen in the last 20 years, completions are linked to external demand. If the affordability adjustment were to succeed in increasing supply or lowering prices to any significant degree, this would make homes on the Island more available and, if prices were lowered, more attractive to in migrants. Excess supply would generate a population inflow, stabilising demand and prices.<sup>29</sup> The affordability adjustment is therefore by nature self-defeating at the sub-regional level in areas characterised by internal migration.
- If other areas make a similar market signals adjustment, then there would in theory be less substitution. The burden and impact of the adjustment, however, is unequal in an Island economy and it remains clear that the simple trend is one of in-migration based on the availability of homes on the Island.
- **The effect of the affordability adjustment is therefore to inflate the Island’s housing target without making homes more affordable for Islanders.**

6.8. Developer behaviour

- Delivery constraints, the exceptional housing market and level of under-delivery on the Island suggest that inflating the housing target for affordability purposes is not a strategy that would increase supply.
- In particular, the Island’s housing market is small and isolated. This discourages competition and encourages price-setting behaviour by developers. Land prices are overvalued, and house prices lower than the wider area. It is therefore especially true that building excess homes that are unsold at the market price is loss-making. The effect is to limit the buildout rate to the market absorption rate or slower.
- For these reasons, the logic of the adjustment is self-defeating, because the higher targets it results in cannot be met on the Island, requiring permissions to be liberalised, allowing developers to target less affordable and more profitable properties, reducing affordability.

<sup>29</sup> [http://centaur.reading.ac.uk/24470/1/Housing\\_Affordability-ex\\_appendix.pdf](http://centaur.reading.ac.uk/24470/1/Housing_Affordability-ex_appendix.pdf), p.20

#### 6.9. Regional differences in affordability

- The logic of the affordability adjustment is more relevant on the national level, in the very long term, than in the plan period locally. Part of the role of the affordability adjustment is to address long-term undersupply of homes and to set a national target above the level of projections. However, the effect of the Island's contribution is less clear because of its economic isolation. For this reason, whether or not the adjustment is necessary on the Island is again, unclear.
- **A higher target alone would not make homes affordable for Islanders. Looking at lower-quartile incomes on the Island, the price change that could be achieved through an increase in supply, all else equal, is far below the level that would be required to make homes affordable. Thus, a higher target alone, without intervention in dwelling type, does not support Island housing needs.**

#### 6.10. Internal migration and local median earnings

- The affordability ratio used by the affordability adjustment is based on a ratio of local incomes to local house prices.
- However, the dynamic of the Island's housing market is predominantly characterised not by the poor affordability of homes to local buyers, but by the fact that the Island is already **especially affordable** and thus attractive to in migrants who have gained asset wealth in stronger housing market areas. Indeed, "11 of the top 15 local authorities for in migrants are less affordable than the Isle of Wight."<sup>30</sup>
- This is more evidence that the adjustment would not make homes more affordable for Island residents but would instead make already affordable homes even more attractive to mainland residents, fuelling demand and keeping prices high.

### Options

6.11. The Isle of Wight Council could publish the results of the Island Housing Needs survey and compare this to the new plan.

6.12. The plan could include a review of the feasibility of challenging the Standard Method as outlined in Paragraph 60 of the NPPF. The Island may have unique circumstances with regard to its demography and housing market that would allow a lower target than 486dpa under Paragraph 60 (exceptional circumstances) of the NPPF. Until the Island's housing need is explored, we do not know how much lower the housing target could be.

## 7. The Housing Requirement

7.1. "To ascertain what an 'island realistic delivery number' may be, historic delivery patterns over 15-year plan period cycles within the last 20 years are set out in Table 2 and show 486dpa to be the average secured across all 15-year periods."<sup>31</sup>

7.2. This method is incorrect. What occurs by 'averaging averages' in this way is to create a form of weighted moving average for 2020. We do not know why the figure is calculated in this way. The period used for creating a moving average would not be 15 years of 20 years of data. This figure would not show the past level of delivery in the past 20 years. There is no evidence for the rationale or robustness of the housing figure in the plan. It does not make sense because the 'delivery patterns' within each plan period are not distinct; the pattern is across the last 20 years. Again, this calculation does not have any mathematical meaning; adding and dividing these years multiple times in different periods just counts some more than others.

<sup>30</sup> [https://www.housingnet.co.uk/pdf/PE\\_Report\\_IsleofWight\\_FINAL\\_05092019ZCPREZFORZRELEASE.pdf](https://www.housingnet.co.uk/pdf/PE_Report_IsleofWight_FINAL_05092019ZCPREZFORZRELEASE.pdf)

<sup>31</sup> <https://www.iow.gov.uk/azservices/documents/2981-1-Draft-IPS-evidence-paper-Housing-A.-Approach-to-the-housing-number-in-the-Draft-IPS.pdf>, 6: Historic Delivery Data

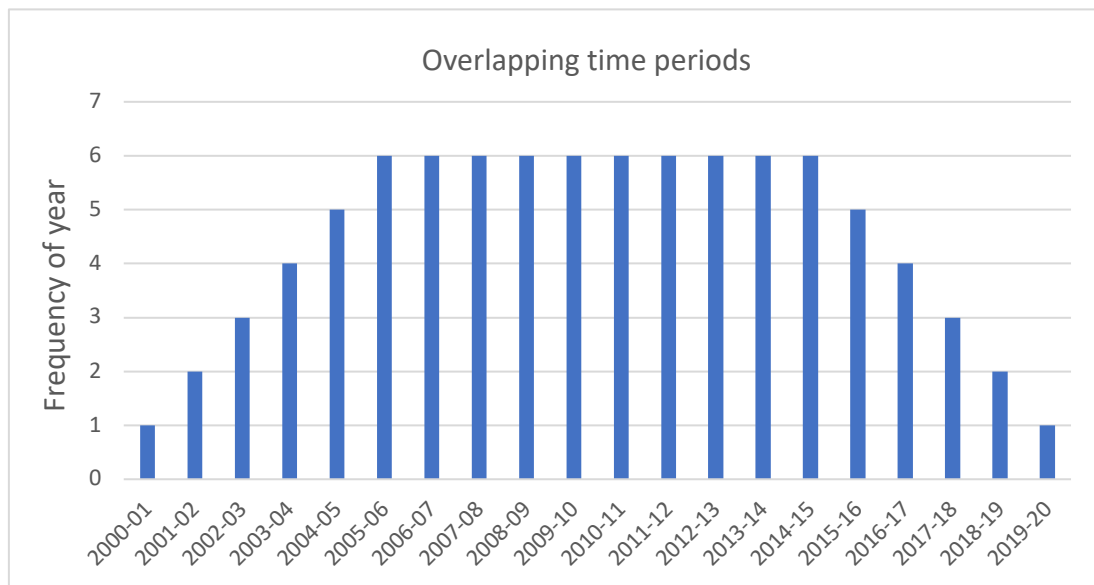


- 7.3. This cannot be "an appropriate number that has been delivered across plan periods in the past" because it is not possible to average overlapping periods in the way shown; it gives an incorrect figure that is higher than what has been delivered in the past.
- 7.4. It is not clear where the definition of 'plan period' arises, given that only two plans have been approved on the Island since 2000. The target suggests that a new plan period began in every year since 2000. The current plan period for the Island would therefore be 2006/07-2020/21. This does not make sense since the current plan was in force as of 2012.

**The combined plan period average**

- 7.5. In detail, the 486dpa target is calculated as the 'overall' average of six averages of fifteen-year 'plan periods' between 2000/01 and 2019/20. This is the same as averaging what are already moving averages for the period. An average figure for the 2000-2020 period can't be calculated in this way.
- 7.6. The effect can be shown as follows: where certain years in these plan periods overlap, some years are present in more periods than others. This means some years are counted in the total more than others (because the periods are not independent). For example, the year 2000/01 is present in one of the six periods, whereas the year 2008/09 is present in all six.

*Overview of overlapping time periods in the IPS Housing Number*



- 7.7. This in effect weights the central years between 2005/06 and 2014/15 more than those between 2000/01 and 2005/06 or between 2014/15 and 2019/20. The year 2006/07 is six times more highly weighted than 2019/20.

**As a measure of consistency or robustness**

- 7.8. Averaging overlapping periods in the plan does not generate a more or less 'average' or robust figure, as the only difference between the 'combined plan period average' and the 'average' is that one counts some values more than others.
- 7.9. Evidence Paper A also argues that "taking an average of historic provision on the island to project future delivery has less risk and greater certainty", citing the relative consistency of delivery on the Island in the last 10 years. However, the period the housing number covers is the last 20 years. The last 10 years cannot be extrapolated to make this conclusion. The 10 years between 2000 and 2010

show both the presence of national housebuilders and much more variability than the later period the paper analyses. Taking a long-term average of historic provision, including more variable years pre-2010, compared to the more consistent recent period, actually increases the risk and uncertainty in meeting the target. This is because the target that results is both higher and based on more variable years of delivery.

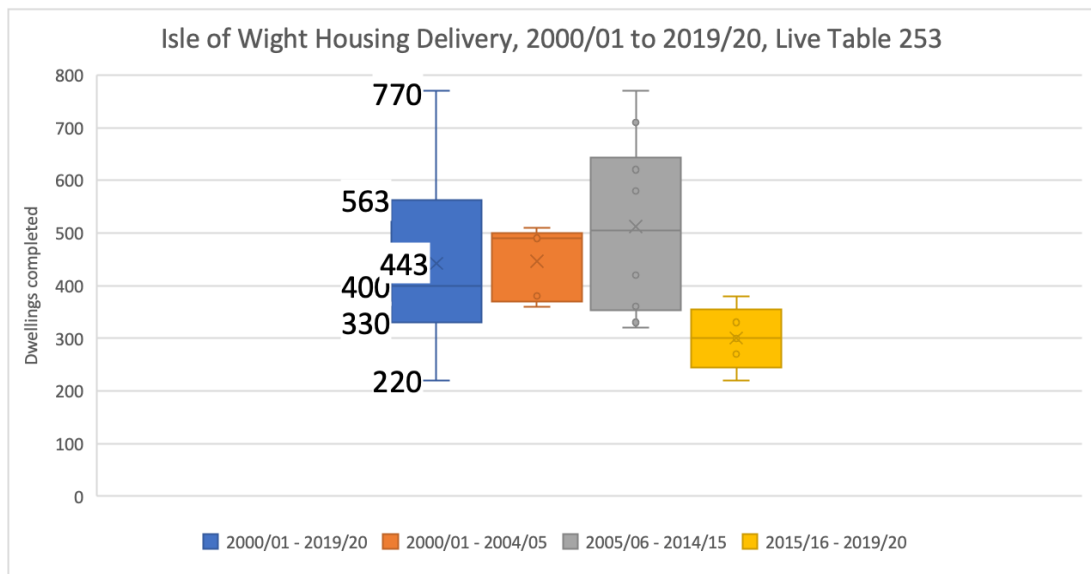
**The delivery target is biased towards years of higher delivery**

7.10. Owing to the build-up of delivery in the pre-2008 credit boom, and a declining trend of delivery thereafter, central years are further away from the median delivery than the average year and the incorrect weighting therefore inflates the delivery target.

7.11. This is reflected in the fact that the average delivery (the number of homes delivered in 20 years, divided by 20 years) is lower than the ‘combined plan period average’.

*Average housing delivery*

Time Period	Mean
2000/01 – 2019/20	443dpa
2000/01 – 2004/05	446dpa
<b>2005/06 – 2014/15</b>	<b>512dpa</b>
2015/16 – 2019/20	300dpa



Source: MHCLG Live Table 253

7.12. Comparing the box plot for 2005/06 – 2014/15 shows that the higher weighting of these years is biased towards years of delivery that are above the median for 2000/01 - 2019/20. This is why the ‘combined plan period average’ is higher than the average.

**Outlier in 2006/07**

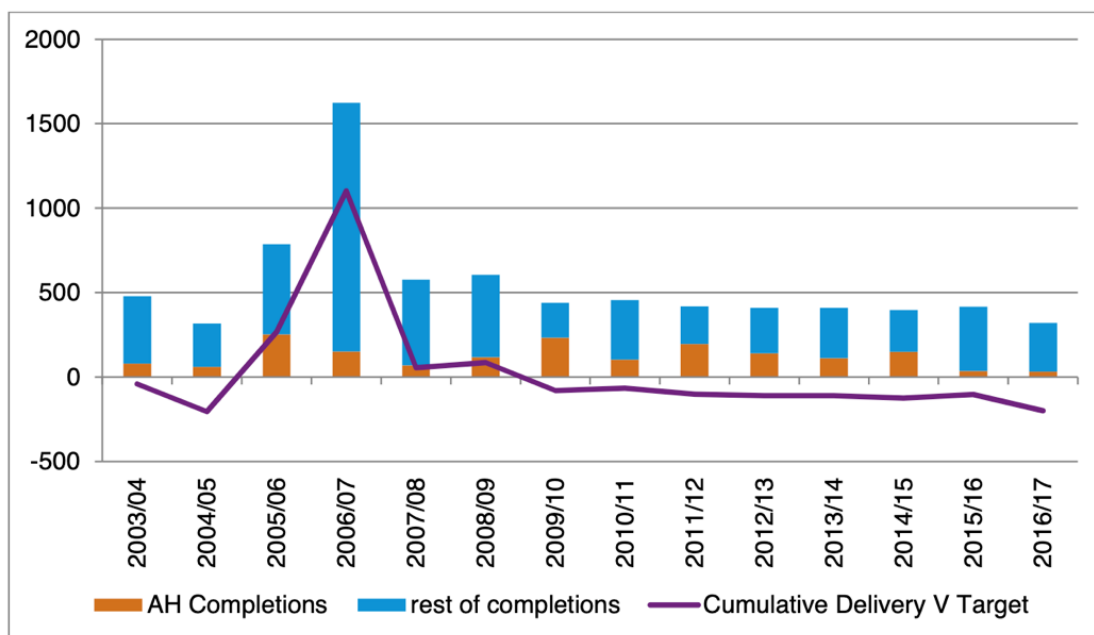
7.13. Monitoring reports record an outlier year of delivery in 2006/07 with 1622 homes delivered. This has followed through to GL Hearn’s 2018 Housing Need Assessment and MHCLG’s net additions data.

*Outlier in 2006/07*

Source	Recorded delivery in 2006/07
Local Authority Monitoring Report	1622
2018 Housing Needs Assessment (based on AMR reports)	1622
MHCLG Net Additions Dashboard	1622
MHCLG Live Table 253	770
IPS Evidence Paper A (The IPS Housing Target)	770

7.14. Looking at the time series recorded in the 2018 HNA, we can see that this is an outlier with a significant effect on the overall delivery average.

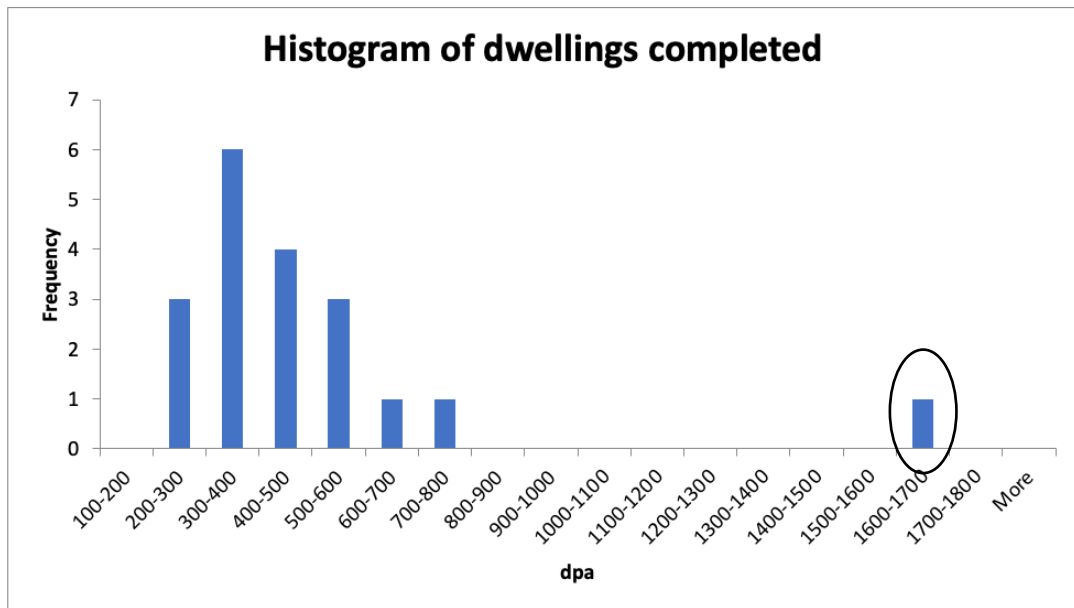
*Housing completions 2003/04 - 2016/17*



Source: Housing Need Assessment Final Report 2018, GL Hearn

7.15. Replacing the year 2006/07 in MHCLG data with 1622 homes delivered rather than 770 and plotting this as a histogram indicates this point should not be included in the mean.

Live Table 253 counterfactual of 1622 dwellings delivered in 2006/07, 2000/01 – 2019/20



7.16. Indeed, IWC have acknowledged the outlier and are therefore using national completions data for the years up to 2011/12, and AMRs thereafter. **The concern is that a single data source would be more consistent and ensure that time-lagged issues between periods are not double counted. The target would be justified in using national data which shows lower delivery.**

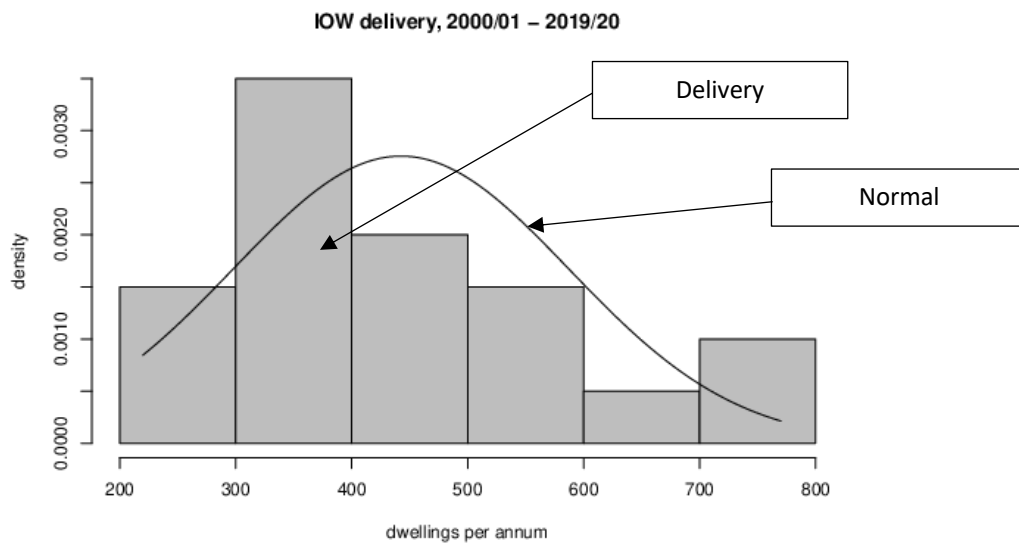
7.17. Options:

- A different approach to the 'average of delivery' may be needed to assess the Island's building capacity.
- A comment could be made on the undercounting issue and the source of completions data in Evidence Paper A and the Island Plan.
- IWC could issue a correction to the monitoring report for 2006/07, the 2018 Housing Needs Assessment, and MHCLG data citing the original monitoring report.<sup>32</sup>

**Delivery levels on the Island follow a distribution and are not always consistent across years. The risk in this regard is that delivery will not follow the average**

<sup>32</sup> <https://www.iow.gov.uk/azservices/documents/2782-IWC-HNA-April-2018.pdf>

*Isle of Wight distribution of delivery levels, 2000/01-2019/20*



Source: MHCLG Live Table 253

**7.18. Mean delivery:**

- The problem with using an average figure is that it conceals the variation in delivery on the Island; thus, 486dpa is not actually what is delivered in a given year. It appears above central tendency.

**7.19. Skew:**

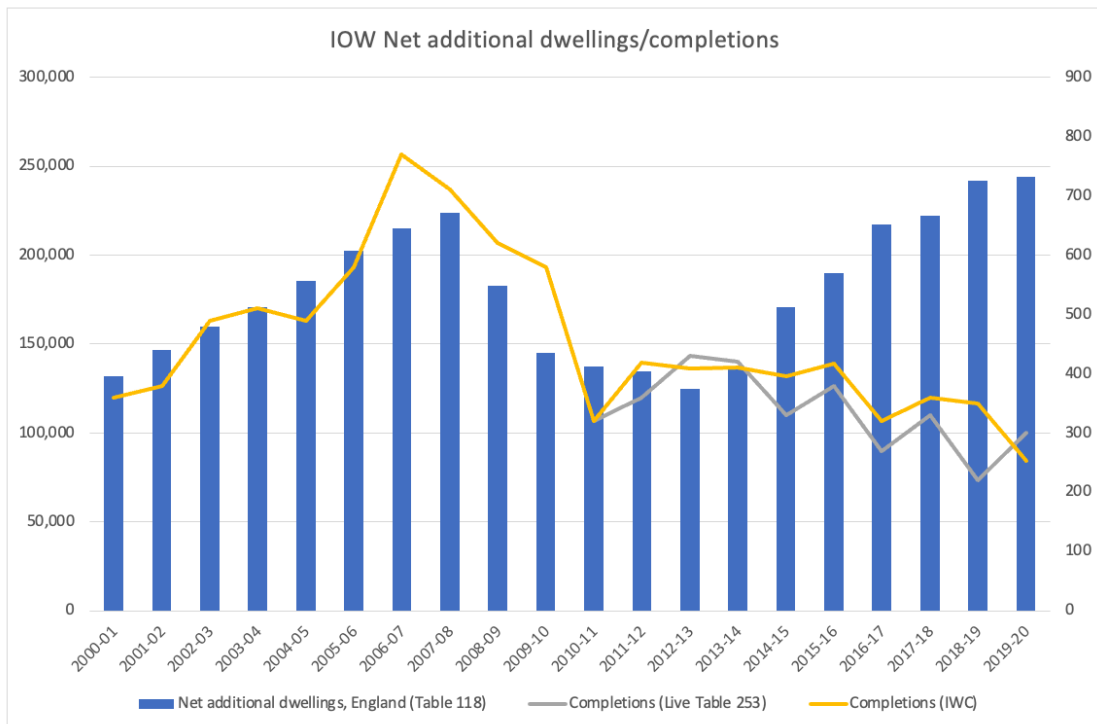
- The distribution of delivery levels is asymmetric (more often lower than higher). Looking at observed levels of delivery in the last 20 years, peak years (600-800dpa) have the effect of pulling the average above the median of c.400dpa towards a figure (457dpa) that is not a typical level of delivery. The bias of the 'combined plan period average' error towards years of peak delivery exacerbates this effect, pulling the average up to 486dpa.

7.20. Given the asymmetric nature of delivery levels, with constraints at the upper level, but no constraints at the lower level, **486dpa is in excess of what the Island's housing market might typically deliver.**

7.21. Specifically, as Evidence Paper A notes, there are three years of peak delivery (770 in 2006/07, 710 in 2007/08 and 620 in 2008/09) associated with national housebuilders on the Island. Alongside the considerations of whether the average is representative given the influence of peak delivery, the market factors influencing this level of delivery are no longer present.

7.22. It is highly concerning that the delivery target is based on years of delivery that are clearly influenced by the 2008 credit boom (770 in 2006/07, 710 in 2007/08) and a return to this level of development viability simply cannot be expected. These numbers will not be delivered in the current market.

*Housing delivery: Isle of Wight and England, 2000/01 - 2019/20*



Source: MHCLG, IWC

7.23. The justification of the average in this regard is that it represents all parts of the ‘economic cycle’ across 15-year periods. However, there will not be a repeat of the viability levels seen pre-2008, at least in the short term.

7.24. Comparing the Island’s delivery level with national completions points to what is now a long-term divergence with the rest of the UK. The Island is therefore not in tune with broader economic conditions and faces unique delivery constraints.

7.25. Given the length of the cycle that is being projected, the target risks failure of the housing delivery test before the target can be met. For example, the first year of delivery in the IPS is phased at over 600dpa; double the last year of pre-pandemic delivery. Despite 2000 permissions unbuilt, and the highest residential approval rate in the South East (90.9%), the Island has not delivered over 420dpa since the introduction of the Core Strategy in 2012. Delivery in the last pre-pandemic monitoring year was 72 percent of the updated target; which, without an immediate rise in delivery, puts the island at risk of the threshold for the presumption in the housing delivery test (75 percent).

**7.26. Ultimately, past data is insufficient to evidence 486dpa being deliverable.**

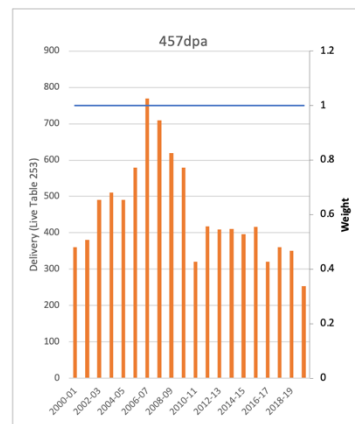
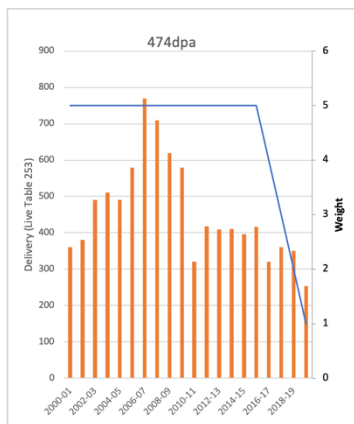
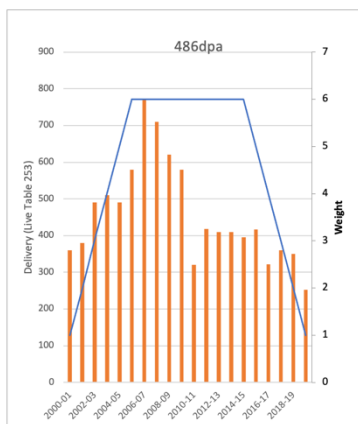
7.27. Options (see below)

- The delivery average could weight delivery years equally, resulting in a target below 443dpa (MHCLG data).
- Alongside equal weighting, years of peak delivery could be removed, for example, if the three years of peak delivery were discounted, this would lead to a target of 397dpa (MHCLG data).
- The choice to exclude three years of peak delivery is discretionary and intended to be an example of what would happen if peak years were discounted, but a more rigorous statistical test could be introduced.

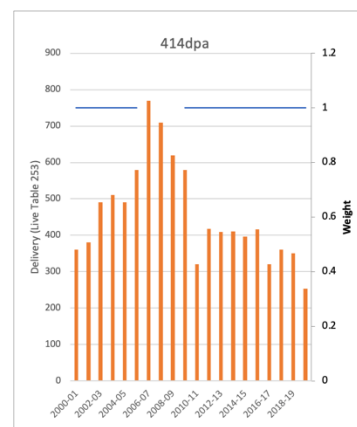
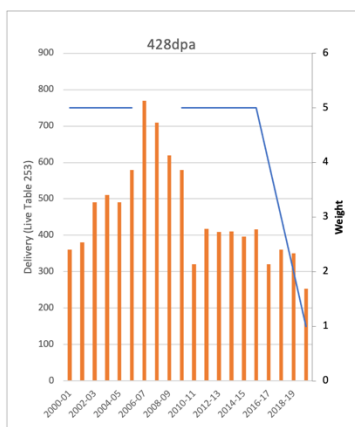
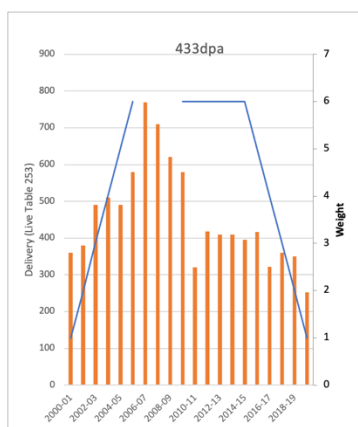
8. Appendix 1: Housing Requirement Options

IWC data

1. All years (IWC data)
  - a. Left, IPS
  - b. Centre, past delivery weighted more than present
  - c. Right, delivery years weighted evenly



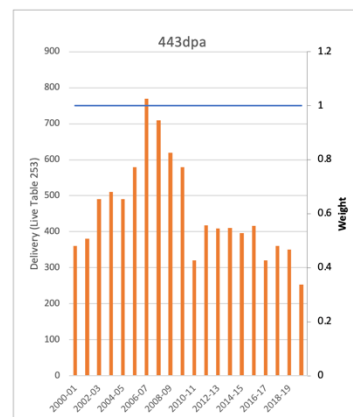
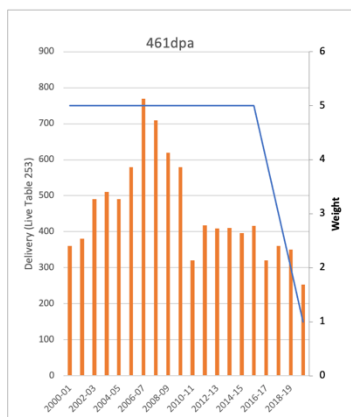
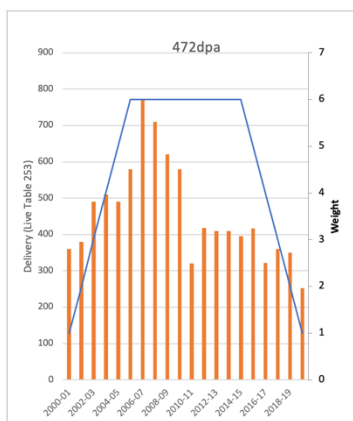
2. Excluding three years of peak delivery (IWC data)
  - a. Left, IPS
  - b. Centre, past delivery weighted more than present
  - c. Right, delivery years weighted evenly



MHCLG data

1. All years (MHCLG data)
  - a. Left, IPS
  - b. Centre, past delivery weighted more than present
  - c. Right, delivery years weighted evenly

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2. Excluding three years of peak delivery (MHCLG data)
  - a. Left, IPS
  - b. Centre, past delivery weighted more than present
  - c. Right, delivery years weighted evenly

