



## EXAMINATION OF THE ISLAND PLANNING STRATEGY

Inspectors

David Spencer BA(Hons) DipTP MRTPI and Andrew Steen BA(Hons) DipTP MRTPI

Programme Officer

Louise St.John Howe

11 April 2025

Mr James Brewer  
Planning Policy Manager  
Isle of Wight Council

By Email

Dear Mr Brewer

### **Examination of the Island Planning Strategy (IPS)**

1. We held hearing sessions between 25 February and 6 March 2025 to examine compliance with statutory procedures, and plan soundness. We would like to thank the Council and all other participants for their constructive contributions at these hearing sessions. We are now able to set out our initial conclusions on some key matters and our overall position on the examination going forward.

### **Procedural Matters**

2. We are satisfied that the Council has met the requirements of the Duty to Cooperate (DtC) through ongoing dialogue, including as part of wider forums covering the south of Hampshire and Isle of Wight. Any final report we issue will set out in further detail our full findings in relation to the DtC.
3. We have considered those representations raising concerns around the publication of the IPS at Regulation 19 in July 2024 and the ability to submit acceptable responses, by reference to the Council's on-line form. We are satisfied that any minor issues with the representation form were not prejudicial to anyone's ability to submit duly made representations on the IPS within the required timeframe. Overall, we are satisfied that the statutory procedures on the publication of the IPS were satisfactorily followed. Again, a final report would address this in more detail.
4. The submitted Plan was accompanied by an Integrated Sustainability Appraisal (ISA) and Habitats Regulations Assessment. These have been iteratively

prepared as the Plan has progressed. As discussed at the hearing sessions, any issues with the content of these documents can be addressed during the examination period, including as part of any consultation on proposed main modifications. We set out below issues with the ISA and whilst they are potentially significant, they are capable of being addressed. Whilst the committee report accompanying the recommended submission of the IPS contained an equalities impact assessment (EIA) for the purposes of the Council's reporting procedures, it is not clear how an EIA has influenced the IPS policies. Accordingly, we consider that a separate and full EIA would be necessary for us to discharge our responsibilities under Section 149 of the Equalities Act 2010. This does not need to be an onerous document and could be produced in time to accompany any schedule of proposed main modifications.

5. In summary, we have arrived at an initial conclusion that there are no statutory or legal compliance issues that cannot be addressed as part of the examination. Consequently, we are focused on matters of plan soundness.

### **Plan Soundness**

6. From our assessment to date and having heard evidence, we are not able to conclude that the IPS as submitted is sound. As such, we have focused our attention in this letter on some substantive main modifications and associated actions which we consider would be necessary at this stage. We have set out some pragmatic options to get a Plan in place, but they nonetheless would require significant effort from the Council within a very focussed time period. The alternative, in our view, would be to recommend that the IPS is withdrawn from the examination and that the Council moves to progress a new Plan against the latest National Planning Policy Framework (NPPF) and more up-to-date evidence.
7. We summarise our initial key soundness concerns here and address them in more detail later in this letter:
  - The proposed housing requirement of 453 dpa would not be justified, effective, positively prepared or consistent with national planning policy. Having regard to NPPF paragraph 11b) ii we cannot conclude that any asserted adverse impacts<sup>1</sup> of meeting the objectively assessed housing needs would significantly and demonstrably outweigh the benefits. Past housing delivery has been compromised by various factors, not least the absence of plan-led allocations of land over a very significant period of time. The housing requirement should be, as a minimum, the identified housing need figure of 703dpa.
  - The adequacy and transparency of the ISA process in assessing reasonable alternatives, in particular how proposed housing and employment sites have been selected and alternatives rejected. This is important given the

---

<sup>1</sup> The Council's chief concern being a lack of plan-led control with a higher housing requirement based on past delivery and national housebuilder interest.

transition from the first Regulation 18 stage in 2018, the subsequent second Regulation 18 stage in 2021 and then a significant intervening period until Regulation 19 in 2024.

- The justification, effectiveness and consistency with national policy on seeking net zero housing development through Policy C11.
  - The up-to-datedness of the Plan wide viability evidence in demonstrating that the cumulative policy requirements of the Plan would be deliverable.
8. This is not an exhaustive list of all the soundness issues. There are other matters, which lend themselves to more straightforward main modifications, a number of which the Council has already proactively identified through its dialogue with Natural England, Historic England and the Environment Agency and in its statements in response to our Matters, Issues and Questions. What we have set out above are more fundamental soundness issues that will require a pause to the examination if they are to be resolved.
9. The Council will need to consider carefully the contents of this letter, the likely degree of work and whether the key soundness issues we have identified are capable of remedy within a pragmatic timeframe<sup>2</sup>. As the Council's latest Local Development Scheme of 6 March 2025 identifies, the Council intends to move quickly to preparing a new Plan from Spring 2026 through to adoption at the start of 2029 in response to the latest NPPF. However, we consider that the key soundness issues identified above, particularly the housing requirement, would need to be addressed for the IPS to be found sound.
10. We set out below what we describe as an 'interim' approach that would enable the Council to move pragmatically to getting an IPS in place. It would very much form a bridging document prior to the adoption of a new Plan. Whilst we recognise that national policy at NPPF paragraph 22 says plans with strategic policies should look ahead over a minimum 15 year period from adoption, we think there are advantages to an 'interim' IPS, including, but not limited to: (i) starting the process of significantly boosting the supply of housing (in combination with other identified actions the Council needs to take to unlock housing growth) ; (ii) providing certainty for some longer term investment particularly on the more complex key priority sites; and (iii) getting in place a more up-to-date policy framework for day-to-day decision making given the 2012 Core Strategy predates the entire NPPF.

---

<sup>2</sup> See letter from Matthew Pennycook to the Chief Executive of the Planning Inspectorate dated 30 July 2024 – generally a period of 6 months, albeit with some discretion from examining inspectors if there is confidence that the required work can be done within a slightly longer time period.

## **Key Soundness Issue 1: Housing numbers and the strategy for housing growth**

### ***The housing need and housing requirement***

11. We are satisfied that the housing need figure for the island is the standard method output, which as of March 2024 is 703dpa. We share the Council's assessment, based on its reasonable and proportionate evidence base, that there are not the exceptional circumstances for the Isle of Wight to reduce this housing need figure, notwithstanding the content in the NPPF December 2023 at paragraph 61 (footnote 25). Again, we will set out our reasoning in full on the housing need figure in any final report.
12. The submitted Plan contains what is presented as an "island realistic" housing requirement of 453dpa. This represents about 64% of the housing need. It is predicated primarily on a combination of: (a) analysis of past trends in delivery since 2003/04; and (b) research and intelligence of market appetite to build on the island, together with evidence on wider barriers to delivery. Whilst we recognise that the housing requirement would be a minimum figure, we nonetheless have significant soundness concerns about endorsing a housing requirement that would be significantly lower than the identified need.
13. The Council's analysis of past delivery rates is transparent. The figure of 453dpa would be towards the higher end of various past averages identified. In terms of NPPF paragraph 16 and what is 'positively prepared', 453dpa would be a deliverable target, but we are not persuaded that it would be sufficiently aspirational.
14. In coming to this view, we note that delivery rates shortly following the adoption of the 2001 Unitary Development Plan (UDP) were averaging 612 dpa. When looking at past delivery rates as a key part of the basis for setting a housing requirement, we consider it significant that the UDP was the last local planning document that allocated land for housing on the island, some 23 years ago. The subsequent Core Strategy, which set a pre-NPPF housing requirement of 520dpa, did not allocate land for housing. Notably, the Council did not act on the Core Strategy Inspector's recommendation to swiftly adopt area action plans to allocate sites. This, in our view, explains in large part why average housebuilding rates on the island have coalesced around a lower 380dpa since the Core Strategy was adopted, relying in large part on windfall and dwindling allocations from the 2001 UDP. There has been no development plan for the island which has reflected national planning policy of the last 13 years to significantly boost the supply of housing. Moreover, in not allocating any sites the Core Strategy did not provide necessary certainty for delivery or confidence for long term investment (a necessary ingredient in our view given the intricacies of housebuilding on the island).
15. Whilst we accept there are allocations from the 2001 UDP that have not come forward, we do not see this as a strong indicator of market weakness or lack of

appetite from national housebuilders. Allocating land at that time is not comparable to current day practice which scrutinises availability, suitability and achievability. A significant factor, in our view, which has shaped housing delivery on the island in the past 20 or so years has been the absence of new land allocations. Issues of 'land', 'planning' and 'risk' were identified in the Three Dragons report 2020 (HO1) and a lack of consented supply and unrealistic land values identified in the first University of Portsmouth report 2019 (HO2). These are clearly factors, alongside lower returns and the additional costs and challenges of building, that have compounded to result in weaker housing delivery on the island.

16. Looking at past delivery to inform a housing requirement is not expressly ruled out in the NPPF or PPG but conversely plans should be forward looking, including significantly boosting the supply of housing. We recognise the Council's concerns that a higher housing requirement could potentially set the plan up to fail such that the authority could find itself back in the presumption at paragraph 11d of the NPPF (which has applied on the island since 2018). However, we also note that the Council confirmed that there are no land supply barriers or environmental capacity constraints preventing a higher housing requirement compared to that in the submitted IPS. As set out above, there is not a situation as per NPPF paragraph 11b) ii. where any adverse impacts of meeting objectively assessed needs would significantly and demonstrably outweigh the benefits.
17. In terms of the ability of the house building market to meet a higher housing requirement, as the NPPF recognises, it is often the small to medium sized housebuilders that can build quickly. Consequently, we are concerned that the cumulative impact of policies in the plan will constrain the ability of this sector to meaningfully step-up over the plan period, notwithstanding the windfall allowance that the Council has identified. The constraints arise from the limited offer of small allocations more generally, including the total absence of smaller, proportionate allocations at lower tiers of the settlement hierarchy in Policy G2<sup>3</sup> and the cumulative impact of various development management policies to potentially constrain windfall development<sup>4</sup>.
18. Notwithstanding our concerns that the IPS could do more to unlock the potential of the island housebuilding sector, given the difference between average past trends and the housing need, a key factor is whether national (volume) housebuilders would be interested in the island and take a role in the needed step change to meet housing need. National housebuilders have been active on the island in the past, including Pan Lane in Newport and Beatrice Avenue in

---

<sup>3</sup> Particularly the Rural Service Centres tier.

<sup>4</sup> Including, but not limited to, Policies EV5 (50m ancient woodland buffer), EV10 (protectionist and extensive settlement gaps), C11 (net zero on all new housing schemes), and H4 restricting windfall outside settlement boundaries, including in sustainable rural settlements, to a scale of 1-3 dwellings and where there is a demonstrated "specific local need".

East Cowes. It is not the case that the sector has steadfastly avoided the island. However, we are of the view that enticing national house builders back to the island requires providing a higher level of confidence for investment. Part of that confidence is certainty around land supply, which means having a positively prepared housing requirement and allocating sites through an up to date local plan.

19. Whilst some market signals may indicate that the island is not currently a priority for the national housebuilding sector, we cannot overlook the lack of new site allocations over the past 20+ years and the significance of other barriers that may have inhibited them in the past. The IPS presents an opportunity to set the conditions for national housebuilders to return to the island. To some extent, the submitted IPS already anticipates this to some degree. The Pennyfeathers site (Housing allocation: HA119) at Ryde (800 homes) was cited as one example. However, the IPS only allocates 12 sites over 100 dwellings for both island and national housebuilders to compete for. As such, we consider the opportunities in the IPS to genuinely stimulate national housebuilder interest are limited.
20. The Council submits that in the context of significantly boosting supply, national housebuilders would be drawn to opportunities on the mainland, thus maintaining what is currently a muted interest to deliver on the island. However, the DtC statements of common ground with New Forest, Portsmouth and Southampton all point to their challenges to meet their housing needs in full. Accordingly, it strikes us that the island would provide an opportunity to build were land positively identified. As such, we consider there would be a greater scope for a return to national housebuilder interest on the island were plan-making to identify a suitable land supply.
21. As expressed at the hearing sessions, we are concerned that were we to endorse past trends as the basis of the housing requirement for this IPS, we would be setting in train a self-fulfilling target, that is unlikely to be meaningfully exceeded. We are not persuaded that the indicators in Section 10 of the IPS triggering action if the 453dpa were surpassed to be either effective or justified.
22. Moreover, constraining the housing requirement will be particularly detrimental to those who need to live on the island for social (i.e. family connections/support) and/or economic reasons. Elsewhere the IPS sets out a positive set of proposals and policies to support economic growth on the island including a supply of land to potentially create more jobs than the labour demand and supply scenarios forecast. As such we are concerned that the submitted 453dpa housing requirement could potentially constrain economic growth (in terms of insufficient housing for employees). We are concerned about the significant disconnect between the positive approach to jobs and the constrained approach to housing.
23. In conclusion, for the various reasons set out above, we do not find the proposed island housing requirement of 453dpa to be aspirational, justified or positively

prepared. There are not the circumstances under either limb of NPPF paragraph 11b) to justify an approach of planning to meet significantly less than the objectively assessed housing need. The 453dpa figure would not be effective or consistent with national planning policy and is therefore not sound.

24. We note that the Council's latest trajectory anticipates an annual average delivery of 624dpa in years 1-5 assuming plan adoption later in 2025. This gives us some confidence that a housing requirement significantly in excess of that set out in the submission IPS would be achievable and capable of being sustained.

#### *Conclusions on Housing Requirement and Land Supply*

25. Bringing this together, we consider the housing requirement should be modified to align with the housing need figure of 703dpa for the IPS to be sound. In already accepting the standard method figure as the basis for the housing need, the Council has indicated that the plan period would need to be modified to be forward looking. As such the base date of the plan should move from 1 April 2022 to 1 April 2024 to reflect the latest local housing need figure prior to the point of plan submission. As submitted the end date of the plan is 31 March 2037. On the basis of a 13 year plan period, the revised housing requirement of 703dpa would equate to 9,139 homes over the plan period.
26. The current trajectory identifies a total supply of circa 6,400 homes to 2037. There would be a shortfall of circa 2,750 homes. We are mindful that NPPF paragraph 22 states that strategic policies should look ahead over a minimum 15 year period from the point of adoption. Assuming the current LDS adoption date, an additional 2 years would need to be added to be consistent with this part of NPPF paragraph 22, resulting in a further 1,400 homes. This would equate to an overall shortfall of 4,150 homes (effectively a 64% increase on the current requirement/trajectory).
27. Our initial view is that addressing a shortfall of that magnitude would be too significant to pragmatically resolve at this stage. Whilst we understand sites could have been submitted to the Council at any time (including via the Brownfield Register), nonetheless the last formal call for sites was in 2021, and it was this process which informed the latest 2022 SHLAA. Planning for a substantially higher housing number would require revisiting site options and most likely another formal call for sites. It may also impact the spatial strategy. Whilst different strategies have been considered through the ISA process, returning to it after a gap of 6 years would require a revised evidence base that cannot reasonably be compiled and consulted on within a pragmatic pause of this examination. The examination would be resulting in a plan markedly different to that submitted, such that it would in effect constitute plan making. In such a scenario we would have to recommend that the IPS be withdrawn. That would leave the Council having to start afresh with the latest standard method figure of 1,100dpa. Withdrawing the IPS would also result in a further hiatus in

having an up-to-date policy framework for decision-making and potential uncertainty around key regeneration sites that the IPS is proposing to allocate.

28. With this in mind, we are recommending an 'interim' approach, as a way forward for the circumstances on the island. It would also provide an appropriate stepping stone for the next round of plan-making which is due to commence in Spring 2026. The proposed 'interim' approach would not require extending the plan period. This would be addressed relatively quickly through the proposed new local plan as set out in the very recent LDS.
29. The critical priority of an 'interim' approach would be to ensure the IPS provides for a deliverable<sup>5</sup> five year supply from the point of adoption. At 703dpa the five year requirement would be 3,515. Taking 1 April 2025 as year 1, the housing trajectory identifies a five year supply of 3,121 dwellings. As such there would be a shortfall of 394 homes.
30. Looking at the medium term, an option could be to require the preparation of a Site Allocations Plan through a modification to the IPS. The main purpose of this document would be to identify additional supply in years 6-10, and possibly beyond, for meeting the 703dpa housing requirement, in addition to those longer-term sites already embedded in the submitted IPS. This may give the Council the option of plan-led control up and until a new Local Plan is in place. This would require a further revision to the LDS. In setting this out, we are mindful that the benefit of such an approach when the Council has already set in place a programme for preparing a new Local Plan may be finely balanced.
31. How the identified shortfall in deliverable supply for years 1-5 following the intended date of adoption (plus any headroom (NPPF wording)) are addressed would be a matter for the Council. To assist the Council's consideration of supply matters, we agree with the Council that there is compelling evidence to include a windfall allowance. The current figure of 100dpa prudently takes account of changes between the Core Strategy and the IPS. To avoid double counting, the trajectory going forward needs to make a clear distinction between small site completions in years 1 and 2 (and possibly beyond), and to then only apply a windfall allowance from year 4.
32. As set out above, the proposed strategy for housing growth in Policy G2 is one of focus. We note the ISA has considered reasonable alternative options for the spatial strategy, including an option comparable to the 2012 Core Strategy in terms of additional edge of settlement growth. It would be a matter for the Council in considering an appropriate strategy for meeting a 703dpa housing requirement in post adoption years 1-5, but there may be options to generate a higher windfall allowance through a more flexible policy approach. Whether windfall alone could meet the totality of the shortfall set out above is uncertain and so either allocating additional deliverable sites or boosting supply on

---

<sup>5</sup> NPPF paragraph 69 a)



allocated deliverable sites may be necessary to provide certainty. We would also advise the Council includes a degree of headroom buffer in its deliverable supply. Additionally, we would not wish to see a spatial strategy constrain the capacity to meet the 703dpa, even if this meant revisiting the ability of settlements at the lower tiers in Policy G2 making a proportionate contribution to meeting the island's housing needs.

33. In setting a higher requirement and modifying policies to boost windfall and yield additional deliverable supply, the relevant parts of the ISA would need to be revisited, together with an addendum to the HRA. Any additional sites or enlarged sites would need to be consulted on for a period of 6 weeks within any pause period. Given the Government's desire to get plans in place, the total pause to the examination to complete the work of identifying additional deliverable supply would be approximately 6 months from the date of this letter. The Council would need to assure us that this would be feasible and any agreed timetable would need to be strictly adhered to.
34. Linked to our findings on the ISA below, and concerns around transparency and effectiveness more generally, we also recommend that housing allocations (i.e. those sites that do not have an extant planning consent as of 1 April 2024) be assigned a site specific policy which transfers the requirements from Appendix 3 of the IPS into clear policy. The ISA and HRA would need to be updated to reflect this.
35. We appreciate these are potentially significant modifications, but we consider them a pragmatic way of getting a sound plan document in place for later in 2025. The Council will need to take a view on this. If the Council is not in a position to modify the IPS to accommodate the full annual housing need in the short term, then the likely recommendation from us would be that the IPS should be withdrawn from examination as it is unsound and not capable of being made so.

## **Key Soundness Issue 2: Sustainability Appraisal, including the requirements of Strategic Environmental Assessment – reasonable alternative options.**

36. There are various stages to Sustainability Appraisal (SA), including meeting the requirements of Strategic Environmental Assessment (SEA). This includes: (1) evaluating all reasonable alternatives and being clear why alternatives have not been selected; (2) assessing the likely significant effects of policies and proposals; and (3) showing how any policies or site allocations have been amended as a result of the SA process so that it can be concluded to comprise an appropriate strategy. We consider that there are issues of completeness and transparency at all three of these stages, but principally on evaluating reasonable alternatives. In terms of Section 19 of the Act, the Council has carried out a SA of the IPS, it has prepared a report of the findings of the appraisal and published the report. Accordingly, our concerns with the SA are

not ones of legal compliance but that the approach to the ISA has implications in relation to our considerations of plan soundness.

37. The SA/SEA process must adequately consider “reasonable alternatives” to the policies and proposals contained within the proposed submission IPS, with regards to the preparation of an environmental report. The most comprehensive assessment of policy options is in the 2018 SA report but that is now of some age and predates significant evidence base updates, changes in national policy and the pivoting in 2021 to a new strategy and housing numbers. Moreover, it is not clear from the various iterations of the ISA as to how “reasonable alternatives” for sites have been considered. This would appear to represent a potentially serious issue which extends to the soundness of the plan-making process. There is no obligation to choose the most sustainable option, but sound reasons must, however, be given in SA for the rejection of “reasonable alternatives” so that those with an interest in the Plan are able to know what those reasons are. We have set out further detailed comments on the ISA in Appendix A to this letter, which should be read in conjunction with these paragraphs.
38. As set out above, we have come to an initial finding that the IPS should set a housing requirement that reflects the housing need and that as an ‘interim’ strategy, the IPS should seek to meet this need for the first 5 years post plan adoption. This is likely to require additional land supply and potentially some further flexibility in the spatial strategy and policy framework to enable this to sustainably come forward. This will require revisiting the ISA to test options to do this. We consider this process would also allow the Council to revisit and update where there may be other reasonable alternative policy options and to comprehensively sort out how it has gone from a shortlist of reasonable potential site options (housing, employment and health hubs) to identify those that have been allocated and why.
39. Consequently, we initially find that the ISA report needs to be updated, strengthened and expanded to address the above concerns and would need to be completed prior to any consultation on additional land supply options.

### **Key Soundness Issue 3: Net Zero Carbon and Lowering Energy Consumption in new development.**

40. Policy C11 of the submitted IPS seeks to ensure that new housing development contributes to the Island’s target to be net zero by 2040<sup>6</sup>. We understand the importance of addressing the issue in the IPS, given the Council have declared a climate emergency. The policy requires all new residential homes to achieve space heating demands, Energy Use Intensity (EUI) targets, upfront embodied carbon target and references the use of the Passive House Planning Package

---

<sup>6</sup> Document GS13: Mission Zero: Climate and Environment Strategy 2021-2040.

(PHPP) methodology and tool, or CIBSE TM54 or equivalents. It requires confirmation pre-commencement, pre-occupation and post completion. These would be a complex set of local energy efficiency standards.

41. 'The Isle of Wight Guide to Deliver Net Zero Carbon Homes' (Document CO15) dated January 2022, which was commissioned with the support of the Local Government Association, provides the primary evidence in support of the policy. This advises that only the 'comprehensive' approach, a combination of ultra-low energy specification, heat pumps and PV panels, can comply with all the Key Performance Indicators (KPIs) of the LETI/UKGBC Net Zero definition<sup>7</sup>.
42. The Future Homes Standard is proposed to set a consistent national approach through the Building Regulations. It would require low carbon heating and high levels of energy efficiency in new homes.
43. The December 2023 Written Ministerial Statement (the WMS) on 'Local Energy Efficiency Standards' is the latest extant statement of national planning policy. It seeks to avoid the proliferation of multiple, local standards (which can add cost and hinder development rates). It makes clear that any planning policies that propose local energy efficiency standards for buildings that go beyond planned building regulations should be rejected at examination, if they do not have a well-reasoned and robustly costed rationale. Any policy must ensure that development remains viable and the impact on housing supply and affordability is considered. Any additional requirement must be expressed as a percentage uplift of a dwelling's Target Emissions Rate (TER) calculated using a specified version of the Standard Assessment Procedure (SAP). Where such policies are proposed, they should be applied flexibly.
44. As pointed out in the Regulation 19 representations, deliverability of zero carbon homes requires specialist labour and material. This can negatively affect build programmes and viability. We note the work with Sydenhams, but there is little before us on this. We are concerned that the proposed approach may not have been fully considered in the July 2022 update of the Local Plan Viability Report (LPVR), particularly in relation to lower value areas where most housing typologies are already 'marginal'. If the Council seeks to retain higher standards than current/planned Building Regulations in Policy C11 more evidence on any impact on viability and delivery rates would be required, particularly within years 1-5 post adoption of the IPS.
45. We find that the January 2022 evidence base provides the basis for pursuing a net zero policy on the island. We note, however, that this is a fast-changing area and so the evidence is now somewhat dated. It is also inconsistent with later government guidance in the WMS, including how requirements are to be expressed.

---

<sup>7</sup> Page 31. Sets out that 'technology first' will not meet space heating demand KPI; and that 'fabric first' will not meet the EUI KPI.

46. We are concerned about the effects of the policy on viability and its consequent potential impact on housing delivery, in particular affordable housing. As indicated in the WMS, consistency with the way requirements are set elsewhere in the country may affect the attractiveness of the island to national housebuilders and that could impact on delivery of housing. We set out more detail on viability elsewhere, along with further comments in Appendix B to this letter.
47. Subject to clarifications around the viability work, the policy requirements should be re-worked to be consistent with the WMS. We accept that TER is not the same measurement as sought in the submitted Policy C11 and that it would not capture unregulated energy use. Nonetheless, the WMS is clear that it seeks to avoid the proliferation of multiple, local standards.
48. The WMS also refers to flexibility, and with this in mind, we consider the policy should be clearer for applicants and future decision-makers as to what would happen in situations where a development could not achieve the required standards. For example, it is going to be more challenging on smaller sites to average performance across the development. Phased introduction over several years may provide some flexibility to help the market adjust.

### Conclusion

49. In summary, we are concerned about the consistency of Policy C11 with national policy, including whether it is justified by the viability evidence and effective in terms of housing delivery. As submitted, the Policy is not sound.
50. Whilst we are unable to guarantee at this stage that we will find such a policy sound, we consider there are three options available for the Council, all of which would be a main modification:
  - i) delete the policy; or
  - ii) replace with a generic policy that promotes sustainable design to mitigate climate change; or
  - iii) Address our concerns around the viability evidence and reformat the policy requirements to be consistent with the WMS.

### **Key Soundness Issue 4: Plan Wide Viability**

51. The IPS is informed by the Local Plan Viability Report (LPVR) prepared by Aspinall Verdi and issued in July 2022 (Document GS12). It predates plan submission by just over two years. As set out above, we have reservations about whether the cost of Policy C11 (net zero) has been fully reflected in the LPVR work. Additionally, other factors have changed, including the move away from requiring First Homes. More generally, the LPVR predates matters which are very likely to have materially impacted viability since July 2022. These include national economic factors following the September 2022 mini-budget and the subsequent impacts on the cost of borrowing, together with the inflationary

impacts on the cost of construction materials since 2022. We note that the LPVR makes an allowance of 20% for developer profit (GDV) and also took into account the cost of 'First Homes' that is no longer required. Both may provide some viability headroom to accommodate the costs of policy requirements in the IPS, including Policy C11. However, to a large extent we are being invited to assume this would be the case rather than being presented with a robust, up-to-date viability picture.

52. The NPPF at paragraph 58 states that where development complies with up-to-date policies it should be assumed to be viable. Given the passage of time since the July 2022 LPVR we are concerned that development proposals will increasingly be accompanied by viability assessments, creating additional work and stalling development on the island. This would appear to be a real risk given most housing typologies in locations where the IPS directs the growth were identified in the LPVR as 'marginal' when taking account of the composite costs of the policy requirements in the IPS.
53. Consequently, the LPVR should be revisited and updated prior to any proposed main modifications being consulted on. It may be the case that an updated LPVR would inform other potential main modifications. The Council indicated at the Matter 9 hearing session that a revisiting of the viability work could be done to accompany any main modifications consultation. In our view that would not be the appropriate sequencing. The policies in the IPS must be demonstrated to be viable against reasonably up-to-date evidence on costs or modified accordingly. As set out elsewhere any updating of the LPVR would have to occur simultaneously within any pause period to address the other key soundness issues identified.

### **Other matters**

54. We are not, in this letter, seeking to set out every potential main modification that may be necessary. Subject to the Council's response to this letter and how the examination moves forward, we will confirm/set out in separate correspondence any other straightforward main modifications necessary for soundness.
55. There is a further recommended main modification which we will raise now to feed into the Council's considerations. We will be recommending the scaling back of the minimum 50 metres buffer for ancient woodland in Policy EV5. We have not been persuaded that this buffer is justified. The policy requirement should be amended to 'at least 15 metres' in line with (a) Natural England / Forestry Commission advice and (b) the Council's own application of 15 metres when it assessed possible sites through the latest SHLAA. By stipulating at least 15 metres, this would allow for additional protection where site specific circumstances indicate a more precautionary approach would be necessary.
56. We raise the recommended main modification for Policy EV5 now, so that in conjunction with the discussed main modification to Policy EV10 on settlement

gaps, this may lead the Council to revisit the potential capacity of site options and windfall, if it wishes to pursue our recommendation above regarding a deliverable short term land supply to meet the adjusted housing requirement.

## **Next Steps**

57. We recognise that this letter is not what the Council may have been hoping for following the conclusion of the hearing on 6 March 2025. That said, most of the policies in the IPS are sound or readily capable of being found sound. We have not found reasons to remove any of the proposed housing and employment sites in the plan at this stage. Importantly, there are no procedural or legal compliance issues. The soundness issues we have identified are capable of remedy, albeit the timeframe we can pragmatically allow for this to happen needs to be considered in the context of the recent Ministerial letter.
58. It is for the Council to now decide how it wishes to proceed. We have advised that there is an option to put in place an 'interim' IPS which would provide a sound up-to-date Plan for the short / medium term. That option would require the Council identifying additional housing land supply and potentially refining the strategy in Policy G2 to achieve this, including edge of settlement and lower tier settlement options. Additional housing supply in the form of new proposed sites and amended policies would require an additional 6 week consultation as part of the examination and the updating of the ISA and the evidence base where necessary. Following the consultation, it is foreseeable that there would need to be additional hearing sessions to consider soundness and other issues raised in any representations.
59. If, having considered the contents of this letter, the Council wishes to proceed with the examination, we request that the Council provides us with an indicative timetable / work programme for how long it would need to respond to the points above. It would assist greatly if you would set out in a Gantt chart, or similar, the detailed steps necessary to progress the work identified in this letter against a timeline. This should be realistic and make sure that each step is properly sequenced – where one step relies on the output of another that sequencing should be reflected in the chart. As part of this process, we would expect regular progress reports each month, with a clear expectation that if sufficient progress is not being made, we would need to consider bringing the examination to an end. We ask that this Gantt chart, and any other relevant information, is provided to us by not later than 12 May 2025. Once we have this information, we will consider the way forward and write to you again at that point. Any 'pause' would commence once we have a clear way forward on the examination.

60. If you have any questions, please do not hesitate to contact us via the Programme Officer and we request that a copy of this letter is placed on the examination webpages at the earliest opportunity.

61. Please note we are not seeking representations from any other participants on the contents of this letter at this time.

Yours sincerely

*David Spencer & Andrew Steen*

Examining Inspectors.

## **Appendix A – Further detail on Sustainability Appraisal / SEA**

- A1. Following the hearing sessions, the Council has produced further helpful notes explaining how the ISA process tested policy options [Examination Document ED16] and the interrelationship between the SHLAA and ISA evidence in relation to site selection [Examination Document ED15].
- A2. We recognise the ISA is an iterative process and it may be that reasonable alternative options and the discounting exercise have been undertaken in earlier documents. However, the ISA accompanying plan submission should transparently indicate where and how all reasonable alternatives have been considered, in headline terms why a preferred option has been selected and where alternatives have been rejected. Where appropriate, this should include clearer signposting to relevant parts of previous ISA, if that is where the bulk of the work on developing and refining options and assessing effects (Stage B of SEA) has taken place.
- A3. An assessment of options (reasonable alternatives) for policies was contained in the ISA that informed the first Regulation 18 plan. This report dates from November 2018, based on a scoping report from August 2018. Given the significant change in direction to the second Regulation 18 plan in 2021, with a new strategy, housing numbers and the updated scoping report in March 2021, it appears not to have been revisited, and where necessary updated, in light of more up to date evidence and strategies. This is an area that needs to be addressed.
- A4. The June 2024 ISA is reasonably clear on the testing of spatial strategy options (for example Table 4.2, Section 4.5 and Appendix 2). In our view, this approach could have been replicated for those key policies that give rise to significant environmental effects and for site selection, to transparently show the key task of assessing reasonable options. Whilst the ISA discounts the 2018 Regulation 18 plan as a partially unreasonable option in Table 4.1, what is not clear is what that means for the rest of SA and the ongoing validity of the original options testing in 2018. This includes how the ISA process since 2021 has assessed alternative housing requirements, enabling those with an interest in the plan to understand what the consequences of the proposed lower housing requirement would be against the SA objectives and how any adverse impacts could be mitigated. Again, we consider this is an area of the ISA that needs to be revisited.
- A5. The June 2024 ISA starts to deal with options for sites at paragraph 4.2.4 by confirming that the SHLAA process identified a “long list” of sites. In discounting sites of less than 10 units, the ISA then states that remaining sites formed a shortlist of 148 sites and that all shortlisted sites were subject to full assessment but not all shortlisted sites were allocated.
- A6. On closer examination of Appendix 3 of the June 2024 ISA, the 41 sites that have been assessed are predominantly those sites that have been proposed for



allocation in the Plan. There are, however, some notable omissions, for example, the Pennyfeathers site in Ryde is not included in Appendix 3 of the June 2024 ISA. Whilst each site is comprehensively assessed against the SA objectives, there is little to inform a conclusion why the site should be considered a sustainable option for housing or how consideration against the SA objectives has informed the proposed individual site requirements at Appendix 3 of the IPS.

- A7. Moreover, Appendix 3 of the June 2024 ISA, is not an assessment of the “shortlist” of the 148 sites from the SHLAA, contrary to what is inferred at paragraph 4.2.4 of the ISA. The latest 2022 SHLAA [document HO5] has considered over 450 sites. Section 4.6 of the June 2024 ISA explains the site selection process in more detail and paragraph 4.6.2 is critical. It says that allocated sites were taken forward based on the spatial strategy, but also other criteria outlined in the Draft IPS: Revisiting the Site Allocations Briefing Paper. This led to the 41 sites proposed for allocation (those assessed at Appendix 3 of the ISA).
- A8. It appears, from paragraph 6.5.4 of the June 2024 ISA, that it is the Briefing Paper (Document H017 - drafted 2021, and then updated 2024) which has been determinative in shaping what were the reasonable (and only) site options assessed through SA. It is not easy, or transparent, to understand where or how other site options were sieved out in the ISA process or how the shortlist of 148 reasonable sites (our emphasis), were sifted down to the 41 that were assessed in Appendix 3 of the June 2024 ISA (the full assessment described at paragraph 4.2.4 of the June 2024 ISA). We have looked at the Regulation 18 ISAs, particularly the more recent 2021 interim ISA document and the recently provided Appendix 3 to that document [Examination Document ED10a]. Again, we cannot see where there has been a full assessment of all reasonable alternative site options and to explain why a significant number of potentially reasonable sites (sites that the SHLAA has objectively concluded were suitable, achievable and available) were not to be preferred.
- A9. Appendix 1 of the Briefing Paper lists sites that were subsequently removed from the 2018 Regulation 18 version IPS. A lot of sites initially considered reasonable in 2018 are removed in the Briefing Paper because they were outside of a boundary of either a primary, secondary or rural service centre settlement or were adjudged to be a greenfield site which was deemed not to form a logical extension or to be less certain of delivery. The approach lacks transparency. There may also be issues of consistency. The IPS includes new greenfield sites that were previously outside of the settlement boundaries in the Core Strategy. It is not clear why some edge of settlement greenfield sites were included within revised settlement boundaries in the IPS and many others were not. A transparent, systematic approach through SA would explain this and reassure the examination that more sustainable options have not been unreasonably discounted.
- A10. Additionally, another matter that is not transparent through the ISA is how or if the requirements for the proposed site allocations (set out in Appendix 3 of the

IPS for housing sites) and for the individual employment site allocation policies have themselves been the subject of SA and the refinement/amendment process comparable to that undertaken for the strategic and development management policies. This highlights our concerns that putting the site-specific requirements for proposed housing allocations in an appendix to the IPS is not a particularly effective approach. It is not comparable to the way the proposed employment allocations have been treated, all of which have clear site-specific policies. The Council's argument that to replicate this approach for housing sites would make the IPS "unwieldy" is not compelling. Having site specific housing allocation policies would make the plan effective in this regard and enable clearer SA and HRA conclusions.

## **Appendix B – further detail on cost implications of Net Zero – Policy C11**

- B1. The net zero carbon homes report states that the additional cost burden in delivering net zero would be "minimal". Page 38 of the report outlines the degree of alignment, albeit with the earlier 2021 LPVR. It states that the 2021 LPVR used a fixed rate build cost of £1,288 per sqm. The cost of implementing a 'comprehensive' option for net zero would range between £1,200 and £1,680 per sqm for houses and are £2,120 per sqm for medium rise flats.
- B2. In implementing the 'comprehensive' option it is clear, from page 39 of the net zero carbon homes report, that relevant consultants would need to be engaged from the pre-application stage, that there will be notable implications at the design stage including consultants to predict energy use, and subsequent input in setting the specification and construction. The report refers to a post occupancy evaluation over a five year period to verify that the KPIs have been met<sup>8</sup>, together with other post construction assessments. It is unclear whether or how this has been accounted for as part of the LPVR costs or whether it could be legitimately accounted for in the sqm costs identified above.
- B3. The appendices in Section 6 of the net zero carbon homes report set out capital costs by housing typology. For a semi-detached house, to achieve the 'comprehensive' option the cost (as of 2021) was £9,441 in addition to adopting the Future Homes Standard (an 8% increase). This is an example of one typology but generally the report identifies increases of between 5% and 8% depending on typology. We are concerned that the evidence in the net zero carbon homes report is now 4 years old. There are other figures before us which suggest significantly higher costs in getting from Future Homes Standard to net zero. Representations have pointed us to the Future Homes Hub and a figure for

---

<sup>8</sup> Although a five year post monitoring programme is not a policy requirement and therefore could be difficult to secure by condition given the tests set out in the NPPF.

a 3 bedroom end of terrace house with a cost of £17,000-£22,000 to deliver net zero above the cost of the Future Homes Standard. Consequently, we have reservations about the robustness of the figures in the 2021 report.

- B4. The latest July 2022 LPVR states that it has applied £4,000 per dwelling to meet changes to Part L of the 2021 Building Regulations. This is an average figure. The Study then applies a further sensitivity showing the impact of the cost being up to £10,000 to achieve Future Homes Standard (2025) compared to Building Regulations Part L (2021). As such, we remain unclear as to whether the £10,000 sensitivity in the LPVR goes as far as to cover the totality of the proposed 'comprehensive' option to close the gap to net zero or just the uplift from Part L 2021 to the Future Homes Standard (2025).
- B5. Windfall developments of less than 10 dwellings are anticipated to make a notable contribution to overall supply over the plan period. The LPVR only tests housing typologies over 10 units (consistent with testing allocated/planned growth). As such there remains some uncertainty as to whether smaller developments could practicably or viably meet the requirements in Policy C11 (which would apply to all new residential homes). Additionally, it is unclear in the policy as to how applicants or decision makers should deal with smaller schemes that cannot viably or practicably meet the policy requirements. This adds to our concerns about the deliverability and effectiveness of the submitted policy.
- B6. Going through the various development scenarios appraised in the 2022 LPVR update, the cost implications of Policy C11 appear to be dealt with at Table 7 under the scenarios. Irrespective of what the £10,000 is for (meeting Future Homes Standard or the totality of meeting net zero), in combination with affordable housing at 35%, the inference of the tables is that there would have to be flexibility on an increasing number of schemes in the lower value zone.
- B7. Overall, we consider that if the IPS is to retain Policy C11 then the viability implications of (a) meeting Future Homes Standard (2025) and (b) any additional costs of achieving the 'comprehensive' option, need to be robustly and specifically considered. We need to be persuaded, following the hearing, that there has been no under-estimation in the LPVR work of the full cost of the 'comprehensive' option to achieve net zero as expressed in Policy C11.