

Approach to the housing requirement in the Island Planning Strategy (IPS)

1: Initial IWC position

The Isle of Wight Council (IWC) consulted in late 2018 on a draft IPS that planned for a then Government standard method (SM) figure for the IOW of **641 dpa**, a total of **9,615 new homes** across the 15-year plan period.

2: Update on Draft IPS position

The Local Housing Need (LHN) derived by the Government standard method (SM) for the Isle of Wight is currently (in March 2022) **668 dpa**, which equates to **10,020 homes** across the 15-year plan period, and is the basis for which all local housing need assessments should be prepared, *'unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals.'*¹ National guidance is clear that the process of assessing housing needs is separate from and should precede the identification of a housing requirement in the light of that assessment.² The NPPF expects that, once needs have been identified, strategic policy makers should *'establish a housing requirement figure for their whole area, which shows the extent to which their identified housing need figure (and any needs which cannot be met within neighbouring areas) can be met over the plan period'*.³ In other words, whilst the SM is to be used to identify local housing needs (unless there are exceptional circumstances), it does not determine what the housing requirement in a local plan should be. That is a separate exercise which needs to have regard to a wider range of factors, including the extent to which the identified housing needs can be met over the plan period, and the operation of the Duty to Co-operate in relation to unmet needs.

3: Since the first Draft IPS in 2018

A package of evidence (including reports from University of Portsmouth, Three Dragons consultancy and engagement with housebuilders) has been gathered which provides a clear indication, in conjunction with historic housing completions, that the island has a reduced ability to deliver homes at the scale sought by the SM, given the restrictions in the housing market generated by the island location, a combination which itself is unique⁴ across all Local Authorities in England. The evidence supports the position that delivering 668 new homes every year across the entirety of the 15-year plan period is not deliverable within the current confines and characteristics of the island housing market.

In order for a plan to be determined (through independent examination in public) as sound it must be aspirational but deliverable⁵. Progressing the IPS using the LRN derived by the standard method of 668 dpa to determine the housing requirement would be in direct contrast to this requirement given the clear market signals that are apparent regarding delivery. With no realistic prospect of delivering 668dpa, the plan would likely be determined as both unrealistic and undeliverable, contrary to the NPPF and therefore not sound.

4: Moving forward with the IPS

To represent a sound plan that is able to pass through the examination process, the IPS housing requirement needs to therefore be based on a number of homes that are deliverable across the plan period by the unique island housing market. There is no one cause of the deliverability issues mentioned above that can easily be 'fixed' and it is a combination of factors, all broadly consequent upon the fact that the

¹ NPPF, para 61.

² NPPG, para ID2a-001-20190220; para ID2a-002-20190220.

³ NPPF, para 66.

⁴ The Isles of Scilly are also an island unitary but with a population of less than 2,300 spread across 5 inhabited islands and an identified housing need per annum of 0, they present wholly incomparable housing circumstances

⁵ NPPF, para 16 (b)

Island is, by virtue of being an island, a localised market with particular economic challenges which hamper the delivery of higher levels of housing. These market issues are compounded by the difficulties of securing funding for increased levels of affordable housing, which in other neighbouring authorities may allow for additional housing to be provided.

Due to this multi-layered nature of the causes of under-delivery, it is challenging to identify a figure for the quantum of housing which is realistically deliverable on the island. It is important to note that these issues are unique to the island and should not be seen as a template or model that can be followed elsewhere. Indeed, due to the severance factor of the Solent there is an inability to seek truly sustainable delivery of the 'unmet need' from the LHN derived by the standard method by partnering with neighbouring authorities (these constraints are explored and confirmed through our DtC work and agreements with these authorities).

The scale of housing provision proposed in the IPS is therefore set at the upper level of what is considered achievable in terms of realistic delivery by the island housing market to align with the core NPPF plan making objectives of being an aspirational yet deliverable plan.

5: The housing requirement for the IPS

The IPS proposes a housing requirement of 479 dwellings per annum, or **7,185 new homes across the 15-year plan period (2022 – 2037).**

To demonstrate why the Council considers a figure of 479 dpa would be aspirational yet deliverable, but any higher number up to the standard method of 668 dpa is not, it is necessary to review a package of data focusing predominantly on historic delivery trends. The reason for focusing on past performance is due to the relatively static nature of the island housing market and those operating within it, and the fact that enhanced supply on its own will not significantly alter these unique characteristics of the island housing market (a separate background paper looking at deliverability issues and interventions necessary to disrupt the island housing market has been prepared⁶).

As set out in the background evidence papers, the island does not benefit from the scale and speed offered by major national housebuilders, instead relying on smaller, island-based developers with smaller sites, lower delivery rates and smaller development pipelines. Indeed, the one national housebuilder that currently has a presence on the Island is completing at an average rate of 50 per year. The IWC has engaged with a number of major national housebuilders, including Galliford Try, Bellway, Bloor, Vistry & Metis, all of whom simply do not consider land on the island as within their 'patch'. A number of reasons are highlighted including:

- Logistics of getting materials and labour to sites;
- Labour/Management;
- Contractors and sub-contractors not working in the island;
- Infrastructure/services available;
- *All resulting in a higher base build cost;*
- House prices relative to earnings;
- Market volatility/depth of market;

Simply turning on the 'supply' tap by allocating sufficient sites to meet the standard method would not suddenly see these major national housebuilders operating on the island, as the majority of the issues highlighted above would not be overcome. All of these issues are also highlighted in our evidence base reports from the University of Portsmouth around a shortage of skills and labour, development value and a restricted buying market and all would remain.

⁶ Housing Evidence Paper D: Barriers to delivery, IWC April 2022

As demonstrated by the Three Dragons report and the annual monitoring process, the IWC has been consistently positive in its approach to approving development over recent years, and a lack of permissions being granted that would result in a constrained supply is not an issue given high permission rates, conversion rates that are on a par with other LPAs of similar size/population and consistently strong performance in appeals.

Indeed, the IWC has been making decisions under the '*presumption in favour of sustainable development*' since 2018 yet has seen a noticeable downturn in residential permissions since then with 1,413 units granted permission in 2017/18 (91% application approval rate), 540 in 2018/19 (89% application approval rate), 320 in 2019/20 (88% application approval rate) and 493 in 2020/21 (86% application approval rate). Over the last 10 years, the IWC has an average application approval rate of 86% and in the 9 year period from 2011/12 to 2019/20 granted planning permission for 5,434 dwellings, whilst in the 9 year period 2012/13 to 2020/21 (allowing a year lag between permission and completion) saw 3,125 dwellings completed, representing a 'conversion rate' (i.e. permissions that turn into completions) of 58%, compared with the national average of 49%.

Looking at the 9-year conversion rate of 58%, it could be implied that by simply granting planning permission for twice as many dwellings this would achieve the required level of delivery, an assumption that underpins the approach to housing delivery in the NPPF. However as Table 1 demonstrates below, in an island context the build out rate is not improved by the existence of a higher number of dwellings with planning permission on the island, in fact it is the exact opposite – as the number of dwellings with planning permission has risen the conversion rate has fallen.

Table 1: Rolling 5-year conversion rates from Isle of Wight permissions and completions

Time period	Total permissions	Total completions	Conversion rate
2011/12 – 2015/16	2,680		73%
2012/13 – 2016/17		1,953	
2012/13 – 2016/17	2,944		65%
2013/14 – 2017/18		1,904	
2013/14 – 2017/18	3,552		52%
2014/15 – 2018/19		1,844	
2014/15 – 2018/19	3,621		47%
2015/16 – 2019/20		1,701	
2015/16 – 2019/20	3,415		46%
2016/17 – 2020/21		1,565	

Without significant public sector intervention in the funding and delivery of housing, there is unlikely to be any great degree of fluctuation from the average number of houses that the island has consistently permitted and delivered in the past, regardless of the number of sites allocated and the number of units per annum planned for. As an example, the largest 'indigenous' island developer, Captiva Homes, has ambitious growth plans to significantly increase the size of the company in terms of delivery moving to up to a maximum of 200 dwellings per annum by 2024, however this would be across 4 or 5 sites already proposed for allocation.

Whilst the IWC has made steps to try and initiate some public sector intervention, for example through the creation of a housing delivery company, bringing forward council sites for development, purchasing of sites, adopting Regeneration and Housing Strategies and being added to the Homes England Social Rents list (following proactive engagement with Homes England by IWC), none are so far advanced or sufficiently resourced to provide the degree of certainty that would be necessary to bolster projected housing delivery across a plan period. These issues are explored in more detail in the Housing Evidence Paper D: Barriers to delivery (IWC, April 2022).

6: Historic delivery data

In light of these static housing market characteristics, a variety of delivery evidence has been assessed across a 20-year period (from 2001/02 – 2020/21) that allows for the impacts of various economic (and local plan) cycles to be incorporated into the assessment. 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 479dpa to be the average secured across all 15-year periods:

Table 2: Plan period delivery rates 2001/00 – 2020/21

15-year period	Total number of homes delivered	Dwellings per annum
2001/02 – 2015/16	7500	500
2002/03 – 2016/17	7441	496
2003/04 – 2017/18	7311	487
2004/05 – 2018/19	7151	477
2005/06 – 2019/20	6914	461
2006/07 – 2020/21	6779	452
Combined plan period average dpa		479dpa

Using the combined ‘plan-period’ delivery average of 479dpa (as highlighted in Table 2) in the IPS could be seen as the most appropriate way forward, however further investigation is required to demonstrate whether this would be appropriate if the plan is to be ‘deliverable’, as required by the NPPF.

Within the 20-year assessment period, there were three peak years where over 600 homes were delivered on the island, 770 in 06/07, 710 in 07/08 and 620 in 08/09. The 5-year period from 2005/06 to 2009/10 saw a total of 3,260 homes, or 652 dpa, delivered on the island and is the highest rate of delivery over a minimum 5-year period in the last 20 years. This period was the last 5 years running up to the global economic crash in 2007/08 and includes a number of market characteristics that are no longer evident. From a financial perspective, access to development finance and general financial conditions were less restrictive resulting in an enhanced viability of sites. In relation to delivery on the island during these ‘peak years’, four sites were brought forward by major national housebuilders and delivered over 100 dpa per site. Build rates from a single site have not exceeded 100 dpa since this time, the closest being 80 dpa from the Pan extension at Newport.

As well as the ‘peak’ years, it is also necessary to consider the lowest years of delivery and factors that may have impacted those. 2019/20’s completions of 253 dwellings is highly likely to have been influenced by the onset of the first Coronavirus lockdown which saw housebuilding stall in March 2020, whilst the 321 dwellings completed in 2016/17 are likely to have been impacted by uncertainty following the ‘Brexit’ referendum result in June 2016.

For the multitude of reasons set out in the background evidence papers, it is simply unrealistic to plan for these market factors of the ‘peak’ years to not only return, but also be consistent across the entirety of the IPS plan period, which would be required to meet the LHN derived from the standard method. It is also clear that the worst years represent the ‘exception’ rather than the ‘norm’ in terms of island housing delivery and were the result of an unusual factors that are unlikely to be repeated.

By using long enough time periods, in this case multiple plan periods of 15 years, this captures all stages of the economic cycle and results in a long-term combined average that is a robust figure without any further adjustment required. Analysing the ‘peak’ and ‘worst’ years of island delivery has not demonstrated a justification for departing from the long-term combined average of 479dpa.

To demonstrate that the figure of 479dpa includes an element of ‘aspiration’, it is important to review the new Draft IPS number against other medium and long-term delivery figures.

Table 3: Medium- and long-term delivery averages vs. IPS housing number

Delivery period	Total units	Avg. dpa	IPS dpa	+/- (dpa)	%
5-year average 2016/17 – 2020/21	1729	346	479	+133	+39%
5-year average 2011/12 – 2015/16	2050	410	479	+69	+17%
9-year average 2012/13 – 2020/21*	3361	373	479	+106	+28%
10-year average 2011/12 – 2020/21	3779	378	479	+101	+27%
5-year average 2006/07 – 2010/11	3000	600	479	-121	-20%
5-year average 2001/02 – 2005/06	2450	490	479	-21	-4%
20-year average 2001/02 – 2020/21	9299	461	479	+18	+4%

* 9 years since adoption of the Core Strategy

As Table 3 shows, more recent 5 and 10-year delivery averages on the island in the period since 2011/12 have been 346, 410 and 378dpa. The 9-year average, since adoption of the Core Strategy, is 373dpa, whilst the longer term 20-year average is 461dpa. Closer analysis against the Core Strategy and indeed the previous UDP is provided in Section 7 of the paper.

Looking at individual years, the island only delivered over 400 dpa once (445dpa in 2020/21) in the last 5 years and has done so only five times in the last 10 years (418 in 11/12, 409 in 12/13, 410 in 13/14 and 417 in 15/16). If the IPS were to solely focus on replicating what the island housing market has consistently delivered, then a figure in the region of 378dpa (an average of the first four delivery rates in Table 3) would be appropriate.

The IPS number of 479dpa is however higher than five of the seven identified averages in Table 3, with increases ranging from 4% to 39%. The 479dpa represents a 27% increase on both the most recent 10-year delivery average of 378dpa and a 28% increase on delivery in the 9 years since the adoption of the Core Strategy and this shows that the number includes a clear element of ‘aspiration’.

This aspiration can be quantified as the gap between recent delivery and longer-term delivery. Table 2 set out plan period averages over 15-year periods and whilst more recent delivery over the last decade has fallen, the IPS is seeking to be positive and present a suite of policies and allocations that provide more certainty and increase the likelihood of development occurring.

The periods where the IPS figure falls below the averages in Table 3 is in the 5-year periods from 01/02 – 05/06 and 06/07 to 10/11, which as referred to earlier in the paper included all three ‘peak’ years of the last twenty.

7: Comparison of IPS to performance of the market since adoption of the Core Strategy

The Core Strategy was adopted in 2012, and this included 520dpa as the housing number (a number itself simply ‘rolled over’ from the South East Plan⁷), together with a suite of policies that supported the principle of development outside but adjacent to settlement boundaries. As demonstrated in Table 3, in the 9 years since adoption only 3,361 homes have been completed on the island. This is an average of 373dpa and is despite 4 of those 9 years seeing a presumption in favour of sustainable development. Only 4 of the 9 years have seen the number of homes delivered exceed 400 (2012/13: 409, 2013/14: 410, 2015/16: 417 and 2020/21: 445). A total of 5702 homes have been permitted in this same 9-year period, giving a conversion rate of 57%. The Isle of Wight has one of the lowest rates of starts and completions per 1,000 population

⁷ [ARCHIVED CONTENT] Government Offices | South East | The South East Plan (nationalarchives.gov.uk)

when compared to 20 other local authorities of similar size⁸ despite having the highest residential unit approval rate (90.9%) in the South East between 2017-2020⁹.

This suggests the island housing market is currently performing at close to its upper limit as coupled with the high permission rates, comparable conversion rates and a presumption in favour of sustainable development, there are currently no in principle planning policy barriers on the island to any sustainable site coming forward for development. Whilst the IPS housing requirement of 479 dpa represents an 8% decrease on the Core Strategy housing number, it is a 28% increase on annual delivery since the adoption of the Core Strategy. This partly reflects the 'aspiration' of the plan, quantified by identifying an appropriate number that has been delivered across plan periods in the past.

IWC accepts that identifying sufficient land for development is important, however there is no guarantee that simply allocating more sites will result in more completions. As noted in Section 5, turning on the 'supply tap' does not address the delivery issues the island faces. This can be demonstrated by looking at the last plan that allocated housing sites on the island which was the Unitary Development Plan (UDP), adopted in 2001.

The first point to note is that the UDP only allocated land for just over 1,000 dwellings out of a total supply of 8,000, of which only six sites were 'new' to the planning process (i.e. no previous allocation or permission). Supply from 'unidentified land' made up 2,500 units, whilst the majority of supply came from sites already with planning permission or under construction. Of the six 'new' sites that were allocated in the UDP, only 3 have been completed in full over 20 years later, 1 has been partly completed and 2 have not come forward for development at all (totalling approx. 170 units). Of the 29 sites allocated in the UDP that were carried forward from previous Borough Plans, 10 have still not been brought forward for development (totalling 230 units). In combination, the 12 sites that have not come forward represented almost half of the allocated land in the UDP.

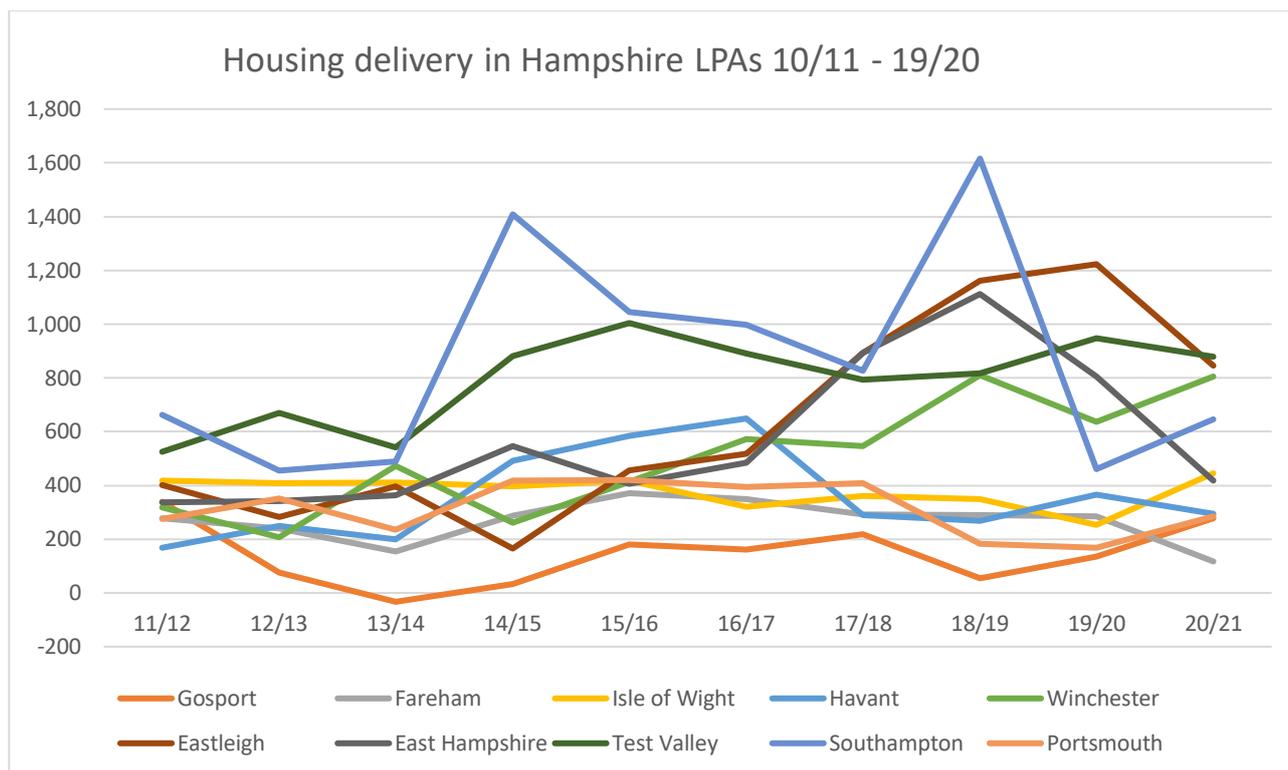
This analysis of historic allocations helps to demonstrate that the delivery problems of recent years are not directly related to a lack of housing allocations in the Core Strategy, when a considerable proportion of allocations from 2001 have not been brought forward for development. Whilst the IPS will allocate sites and help to provide some certainty to the island housing market this will not be the sole factor that will increase the likelihood of development occurring. Providing a package of housing allocations is however an important step on from the Core Strategy and provides further justification in helping to secure the 'aspiration' aspect of the housing number when compared to actual delivery since 2012. Coupled with a desire and policy to try and increase the conversion rate from permissions granted, the housing requirement in the IPS is considered to be aspirational, but deliverable.

8: Consistency of delivery

To help justify the IPS housing requirement as being at the limit of what is deliverable, it is useful to review the performance of the island housing market in relation to consistency when compared to other Local Planning Authorities and housing markets in the region. Across all Hampshire authorities in the last 10 years, the IOW is the most consistent in terms of delivery rates and shows the least amount of 'peaks and troughs' experienced by mainland authorities, as shown on the graph below. Fluctuation between the highest and lowest delivery years is the least on the IOW out of all 10 Hampshire authorities. This is partly reflective of minimal reliance on large, strategic sites built out by major national housebuilders, which can provide greater volatility to delivery rates. Therefore, taking an average of historic provision on the island to project future delivery has less risk and greater certainty.

⁸ 'Assessment of Housing Supply Findings', Three Dragons Consultancy, June 2020 (commissioned jointly with the IOW Chamber of Commerce

⁹ LPA Approval rates by Housing Unit (2/10/17 - 5/3/20), Planning Magazine, April 2020



9: Summary

In producing the IPS that is ‘aspirational but deliverable’ (para 16b of the NPPF), the IWC has identified a housing requirement of **479 dpa** which it believes is at the limits of what is deliverable on a consistent basis, so that it is being both aspirational (when compared to various recent completion rates – 27% above the 10-year average) but realistic (in 8 years out of the last 20 the number has been exceeded). This will also allow the Council to demonstrate a 5-year housing land supply and perform better against the Housing Delivery Test, rather than both being unattainable due to the unrealistic housing number informing them. The alternative would be to produce an IPS based on either the standard method or a number higher than 479 dpa that is set to fail by being over-ambitious when set against these long-term completion rates and the unique characteristics of the island housing market. As highlighted in this paper and accompanying evidence papers, these will not be altered without significant public sector intervention.

It is intended that the housing number in the plan of 479 dpa will not be a ceiling or a target to aim for and policies within it will allow additional development to come forward – the purpose of this is to allow for other windfall sites to come forward if they adhere to the policies of the plan and represent sustainable development, whilst also allowing flexibility and a framework for significant changes in economic circumstances or public sector interventions that could increase delivery to take place. SA/SEA work prepared to support the IPS has considered a variety of options including a higher housing requirement than that set out within the plan.

From an affordable housing perspective the number of 479 dpa, using a basic application of the 35% affordable housing requirement from qualifying sites, could see over 130 affordable units per annum delivered. This would represent a significant increase from recent affordable housing delivery on the island, albeit affordable housing policy and contribution triggers will continue to play the primary role in securing affordable units. Part of the balance in establishing the housing requirement for the IPS includes the requirement to boost the number of affordable homes, and a level of market housing will be necessary alongside this which is another factor in planning for a number in excess of average delivery since the Core Strategy was adopted.

The IPS also includes specific plan review triggers that are focused on delivery rates – these triggers will require a refresh of the plan and associated housing numbers if delivery rates for both affordable and market housing exceed the stated targets on a consistent basis. Any consistent under delivery following adoption of the plan (i.e. a replication of the situation since the adoption of the Core Strategy) would result in the relevant planning sanctions being applied as set out in the NPPF – this places the onus on the IWC to review the plan ahead of the expected 5 yearly reviews or implement measures to address a lack of delivery.

The ‘gap’ between the Local Housing Need derived using the Standard Method and the IPS housing requirement is 189 dpa, or 2,835 homes across the plan period, although as the IPS housing number is not a maximum or target, this gap could reduce from additional windfall and exception sites (both of which have policy support and have been tested through the SA/SEA process which has assessed higher housing requirements than that within the IPS). Despite the unique and separate housing market area, IWC through its Duty to Cooperate responsibilities is engaging with other local authorities to see if any of the unmet need can be absorbed in sustainable locations, i.e. the four authorities that share direct ferry links to the island, namely Southampton CC, Portsmouth CC, New Forest District Council and New Forest National Park Authority. Initial discussions suggest this unmet need cannot be absorbed (three of the four authorities cannot meet their own housing number and the other, NFDC, has already absorbed the unmet need from the NFNPA). This position on unmet need with each of the neighbouring authorities will be set out in a DtC report and confirmed in Statements of Common Ground with each authority.

An assessment of what ‘needs’ may not be met, and any implications of this, are summarised in a separate background paper¹⁰ looking at what elements that make up the Local Housing Need derived using the standard method number may not be prioritised through the implementation of the suite of policies within the IPS.

¹⁰ Housing Evidence Paper C: Implications of not meeting the Standard Method, IWC June 2022