Housing Growth Plan

Part of the strategic plan for the Isles of Scilly
May 2014
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This report has been prepared by: Three Dragons

In association with: ASH FUTURES LTD
THE HOUSING GROWTH PLAN

The Housing Growth Plan sets out a vision for housing development in the Isles of Scilly over the next 10 years. The Growth Plan concludes that more new homes are required on the Islands to meet the needs of the local community and to support sustainable economic growth. It makes an early estimate of the potential scale and type of the new housing to be planned for - but more detailed analysis and debate is required to refine these. The estimates shown in the Plan are based on the best available information, but they should not be treated as a fully-worked-up housing plan. They are the start of a process.

SUMMARY

Housing supply on the Isles of Scilly is very limited and new construction is very restricted. The lack of supply and the local housing policies are designed partly to prevent overdevelopment in an area of special environmental quality, and partly to ensure that people who live and work on the islands are able to find places to live.

As a consequence, there are serious issues with affordability and availability. This affects both the local community and the wider economy, as it is difficult to attract staff and potential entrepreneurs. At the same time, the population has been increasing and getting older which puts more pressure on the available housing stock.

We believe that there are a number of reasons why the existing planning and housing policies should be relaxed.

1. It is unlikely that the same level of grants for social housing will be available in the future. Therefore, securing more social housing for local people will require an element of cross-subsidy from more open market housing.

2. The new National Planning Policy Framework requires local planning policies to consider the need for all types of housing - of different sizes, types and tenures.

3. There remains considerable local demand for social housing and an increased choice of homes for private rent and sale.

4. The economy of Scilly needs to grow in order to sustain the viability of local services and, ultimately, of the local communities. It would be prudent to allow for a modest level of new development to attract new entrepreneurs and staff to the islands.

We are fully aware of the need to maintain the special nature of the environment. We suggest that development should be focused, in the first instance, on sites which are already identified, and then to other brownfield sites. Only then should any new locations be identified - which, we would suggest, should support existing or new settlements and be located carefully so as not to affect any environmentally sensitive sites.

As a result, we are estimating that provision should be made for between 90 and 120 new homes on Scilly over the next 10 years - this is only slightly higher than the number of homes built during the last 10 years. We suggest that these preliminary figures be kept under review to take account of any substantial increase or decrease in population size, and any changes in government housing policy and funding arrangements.
I. THE POPULATION

Headlines

The population of the Isles of Scilly today is about 2,200 and has been growing slowly over the last 30 years. The population is ageing and is older than the national average – most older people are owner-occupiers and 1 in 5 households on the Islands is an owner-occupier aged over 64 years. There is evidence that many young people, in their 20s, do not return from mainland education.

There are 2,200 people living on the Isles of Scilly, of which just over 1,700 live on St Mary’s. The number of people living on the off-islands is estimated at:

- 175 on Tresco
- 135 on St Martin’s
- 170 on Bryher and St Agnes

The population of the Islands declined in the 1980s but has been slowly increasing since then, with nearly all of the growth being on St Mary’s.

Figure 1: Population change 1971 to 2011

In the same way as is happening nationally, the population is ageing. The chart below compares the age structure of the Islands’ population with that of Cornwall and England and Wales. For this analysis, we have taken out 16 to 19 year olds because they mostly would have been in education on the mainland at the date of the Census.
The chart shows that:

- There is evidence to suggest that many young people in their 20s stay on the mainland at the end of their education, but we do not know whether this is due to difficulties in finding affordable housing on the Islands or other reasons;
- Older people of working age (looking across the 30 to 64 age range) represent about the same percentage of the population as found nationally, suggesting a normal workforce for the size of population;
- The Isles of Scilly, like Cornwall, has a relatively high proportion of older people – both those 65-84 years and people aged 85 and over. It is this latter group where there is a higher likelihood of additional care needs.

The 2011 Census highlights that there is a concentration of older people in the owner-occupied sector. 22% of the total population are older owner-occupiers and this will have implications for the type of housing for older people that needs to be planned for in the next 10 years.
2. **THE CURRENT HOUSING STOCK**

**Headlines.**

There are 1,375 dwellings on the Islands of which one third are holiday lets or second homes.

The percentage of owner-occupied dwellings is lower than on the mainland, but there is a much greater reliance on private rented housing.

There are 1,375 dwellings on the Islands which are made up as:

- 990 dwellings permanently occupied stock\(^1\)
- 195 dwellings second homes\(^2\)
- 190 dwellings other properties – assumed to be holiday lets / time shares, etc.

Second homes and other holiday accommodation therefore represent about 30% of the total housing stock. In a national context this is an exceptionally high figure – only eclipsed by the City of London. Second home ownership in the Islands is about three times higher than for Cornwall as a whole, although there may be individual Cornish towns and villages, of a similar size to the Isles of Scilly, that have as many second and holiday homes.\(^3\)

The tenure of the permanently occupied stock is very different in the Islands compared with Cornwall. This is illustrated in the chart below, which shows that owner occupation is relatively under-represented but there is much more private rented housing than is typical of the mainland. In this chart, affordable housing is defined as social rent and shared ownership housing provided by the Council or a housing association.

**Figure 4: Tenure of permanently occupied stock**

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\(^1\) Recorded as 989 in the 2011 Census

\(^2\) Council tax records

\(^3\) Savills Research, Residential Property Focus Q2 2013. The data shown in the study gives a second home figure of 16.3% for the Isles of Scilly and 5.7% for Cornwall – based on Savills’ analysis of council tax records.
3. **SUPPLY OF HOUSING**

### Headlines

Over the last 10 years, on average, there have been 10 new homes developed each year.

There is a small supply of relets and resales each year from the existing stock – about 30-35; of these, around 14 are homes for sale.

The annual housing supply has two sources – new development and relets and resales of the existing stock.

### New development

Between 2004/5 and 2011/12, 81 new homes were built on Scilly. If this rate of housebuilding were sustained over the next 10 years, that would be the equivalent of about 100 new homes.

### Relets and resales from the existing stock

The existing stock provides a small supply of housing available for permanent occupation each year – for resale or reletting (but resales of market housing can be taken up by second home owners or as holiday lets).

Sources of supply from the existing stock are shown in the table below. The information is a best estimate drawn from a number of sources and there may be better data available to help refine these numbers.

#### Figure 5: Sources of housing supply from the existing stock

<table>
<thead>
<tr>
<th>Source</th>
<th>Estimated annual supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social rented – council and housing association</td>
<td>8 - 10</td>
</tr>
<tr>
<td>Owner-occupied</td>
<td>12 to 14</td>
</tr>
<tr>
<td>Privately rented (including Duchy of Cornwall)</td>
<td>12</td>
</tr>
</tbody>
</table>

This very limited annual supply – around 30-35 dwellings – highlights the limited flexibility within the housing market.

Demand for affordable housing (Council and housing association) is very high, with about 15 households on the housing register for every relet. Allocation to affordable housing is managed by the Council, operating a strict points system. This gives priority to households in different types of housing need (e.g. unintentionally homeless, sharing with parents, in overcrowded accommodation, medical priority, separated families) but also gives points to households born on the Islands and to those not born on the Islands but resident for 20 out of the last 25 years. Using a points system ensures transparency; however, it is somewhat inflexible. The system does not allow for any access to affordable housing for those needing to move to the Islands for economic or family reasons.

There is also a stock of 30 properties available for letting to key workers, with a wide variety of owners.

Access to key worker accommodation (when a relet becomes available) is on an ad hoc basis, but in line with procedures set out in ‘Key Worker Policy and Procedure Document, November 2012’.

<table>
<thead>
<tr>
<th>Education</th>
<th>Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>Doctors, Dentists, Nurses, Midwives, Paramedics and Pharmacists</td>
</tr>
<tr>
<td>Police</td>
<td>Police Officers</td>
</tr>
<tr>
<td>Public Services</td>
<td>Posts that are required to fulfil the statutory duties of the Council of the Isles of Scilly</td>
</tr>
<tr>
<td>Animal Welfare</td>
<td>Veterinary Surgeons</td>
</tr>
<tr>
<td>Public Utilities</td>
<td>Posts required to maintain public utilities on the islands</td>
</tr>
</tbody>
</table>

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4 Council of the Isles of Scilly, Annual Monitoring Report (AMR) 2011/12
4. **HOW AFFORDABLE IS HOUSING ON THE ISLANDS?**

**Headlines**

Although the market may be easing slightly, average sale prices remain very high and very few properties are sold for less than £200,000. Local households on modest incomes will struggle to get onto the housing ladder.

Council rented housing is affordable for nearly all households on the Islands. However, if future rented housing was provided by the Council or housing associations as the new **Affordable Rent** tenure, it could only be afforded by about half the Islands’ households.

**Market housing** is very highly priced. The overall average price of sale housing across the last two years was £344,000. This is over £100,000 higher than the average for Cornwall (at £219,000). The analysis of recent sales on the Islands demonstrate how prices vary by type of dwelling.

Average values for houses are £350,000 or above, with flats at an average value of just under £250,000. Of the 41 sales recorded by Land Registry from 2011 to 2013, only three properties sold for less than £200,000.

There are some signs and local agent advice that prices may be easing with properties on the market at reduced prices. Nevertheless, there are still only a handful of properties available at any time for less than £200,000. This highlights the difficulties for local people on middle incomes of buying locally and getting on the housing ladder.

**Figure 6:** Mean average market values by property type 2011 to 2013

**Figure 7:** Average rents by landlord (2012)

<table>
<thead>
<tr>
<th>Housing type</th>
<th>Average sale price (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat</td>
<td>243,000</td>
</tr>
<tr>
<td>Terrace</td>
<td>349,000</td>
</tr>
<tr>
<td>Semi-detached</td>
<td>359,000</td>
</tr>
<tr>
<td>Detached</td>
<td>403,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Average rents per week (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council</td>
<td>70</td>
</tr>
<tr>
<td>Housing Association</td>
<td>100</td>
</tr>
<tr>
<td>Duchy of Cornwall</td>
<td>130 approx</td>
</tr>
<tr>
<td>Privately rented</td>
<td>160 approx</td>
</tr>
</tbody>
</table>

Source: Land Registry - freehold & leasehold properties

**Rents** vary significantly with tenure and within tenures. For the affordable stock, there are differences in rents between Council and housing association properties.

It is highly probable that any future provision of rented affordable housing (that relies on Homes and Communities Agency funding) would need to be **Affordable Rent housing**. Rents for ‘this type of housing would be higher than typical for today’s housing association and Council social rented housing: Affordable Rents estimated at around £105 per week for a 2 bedroom home and £120 per week for a 3 bedroom home.

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5. DCLG Live Table 581 – mean average Q2 2013. This is not a direct comparison with the more detailed analysis of values in the Islands but is a reasonable estimate to use.

6. This is made clear in the Homes and Communities Affordable Homes Programme 2015-18 Prospectus – January 2014 which states, “The 2015-18 Affordable Homes Programme . . . assumes that the main new supply product that will be delivered will be new Affordable Rent homes, and, where appropriate, affordable home ownership (shared ownership) homes”, and later that “Social rent provision will only be supported in very limited circumstances. For example, social rent could be considered where decanting existing social tenants into new homes is necessary”.

7. These rents are approximately 80% of the Local Housing Allowances (LHA) for the nearest mainland area, which is a useful indicator. This is the Broad Rental Market Area of Kernow West in Cornwall with LHA rates of £129 for a 2 bed dwelling and £150 per week for a 3 bed dwelling.
Evidence about affordability is available from the 2013 Housing Needs Survey. The survey collected information from only 70 households and so the results can only provide limited information about affordability. The survey concluded that only 5.4% of the respondents could afford to buy an average-value property (the average value being £305,000 according to the Survey report) and only around 13.5% could afford £200,000 or more.\(^8\)

The chart below, taken from the report, indicates that social rented housing is affordable by nearly every household, but that if Affordable Rent housing was provided (at the increased rents of this tenure) it could only be afforded by about half of households.

**Figure 8. Extract from Housing Needs Survey 2012**

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**Intermediate housing.** There is very little opportunity for those on modest incomes to get into the sale housing market, and anecdotal evidence suggests that this causes some, mainly young, households to leave the Islands or not to move in the first place to take up employment. Given the very high market values and minimal supply of smaller cheaper properties, this is not surprising. There is very little, if any, intermediate housing to help here to bridge the gap. On the mainland, in areas with very high house prices, one option is to include some form of equity share housing in new developments. For example, a household could buy 70% of the equity in a property and purchase the remaining 30% if and when they can afford the extra cost. If the property is sold, it can be offered again to another household on an equity share basis.

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\(^8\) See Figure 22 in Housing Needs Survey 2013
5. FUTURE HOUSING DEMAND AND THE SUPPLY TO MEET THIS

**Headlines**

1. Meet local demand for new housing of about 100 to 110 new homes plus 10 to 15 new homes to prepare for the impact of changing household size
2. Support the planned economic growth with another 10 to 15 homes

We are suggesting pulling back slightly from the maximum number suggested because of environmental constraints. Therefore we are recommending that a provisional estimate of 90 to 120 new homes should be planned for over the next 10 years.

However, these figures are only indicative and require more refinement and consideration before they are made into a formal target. The Council should prepare its own demographic forecasts to help with this. The new housing will meet the needs of a range of people, including those requiring affordable housing, local young people who want to get on the housing ladder, older households requiring specialist provision, and incoming key workers and entrepreneurs.

The Housing Growth Plan has built up an estimate of demand for housing over the next 10 years. This adds together demand for housing from the local community and the need for housing to support economic growth. It does not include demand from elsewhere not linked to economic growth.

The estimates of demand are based on the best available data but the Council is urged to draw up more robust estimates (such as a Housing Market Assessment) before proceeding with any plans for more housing.

**Demand for housing from the local community**

Current demand for housing from the local community is measured in a number of ways. Sources include:

- Local housing register (for Council and housing association housing) - approximately 80-90
- Waiting list for other rented properties, approximately 40-50
- Market housing – market values indicate strength of demand and local agents’ view that demand from local residents is becoming a higher proportion of overall demand

The above current unmet demand from the local community is therefore somewhere between 120 and 140 households plus demand for market housing. Some of this demand may be double counted and some of the demand may be met through relets and resales of the existing stock. On this basis, it might be reasonable to seek to meet demand for around 60-70 homes to 2020 (the end date of the Local Plan) and a maximum of 100-110 over the next 10 years.

There are no official population or household forecasts to indicate how many more homes will be needed in the future to accommodate changes within the existing population. For the Housing Growth Plan, a very basic estimate has been prepared simply to take account of changing household size. This is a very approximate measure but does give an indication of internally generated household growth. If household size in the Islands follows the same pattern as in Cornwall, it is projected that there will be another 10 households by 2021 and about another 15 within the next 10 years.

**Demand for housing to support economic growth**

The other element of demand is to support economic growth.

The current stock of about 30 key worker properties is very limited and it is reported that there can be difficulties finding suitable accommodation when it is required. Of the 46 businesses who answered the question in our Business Survey, 10 stated that ‘lack of suitable housing held back recruitment’. This suggests that, across the whole business base, the demand for accommodation for staff is considerable.

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9 Isles of Scilly Council Allocations to both council and housing association properties are made by the council.

10 Author’s estimate based on expert views
It is very difficult to devise a suitable figure for new housing to support future economic growth but the Housing Growth Plan includes an allowance of 10 to 15 new homes for this purpose, as a pilot scheme. Any new housing to support economic growth will need to be kept under review and, in particular, monitor the release of holiday let properties back into the open market.

Summarising the future housing supply

Bringing together the different elements of housing need, and taking account of environmental pressures, produces an indicative figure for new housing of around 90 to 120 dwellings over the next 10 years. The table below shows how this figure is built up, but it must be stressed that the numbers are only guidelines and will need to be scrutinised in detail and revised before being adopted as a formal target.

![Figure 9 Possible 10 year housing supply](image)

<table>
<thead>
<tr>
<th>Type of demand</th>
<th>6 years to 2020</th>
<th>For 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local demand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>From the local Housing Register, those estimated to be on waiting lists for other rental properties; those seeking local market housing for purchase; staff and key workers</td>
<td>60 to 70</td>
<td>100 to 110</td>
</tr>
<tr>
<td>Population increase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>From changes in household size</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Increase to support economic growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>This is made up from an estimate of potential new dwellings to meet demand from incoming entrepreneurs and their staff</td>
<td>5 to 10</td>
<td>10 to 15</td>
</tr>
<tr>
<td>Maximum total</td>
<td>75 to 90</td>
<td>125 to 140</td>
</tr>
<tr>
<td>We recommend</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Given the limited sites currently identified, and given the crucial need to preserve the essential environmental quality of the Islands</td>
<td>60 to 90</td>
<td>90 to 120</td>
</tr>
<tr>
<td>Compared with last 10 years (estimated - from AMR 2011/12)</td>
<td></td>
<td>101 dwellings</td>
</tr>
</tbody>
</table>

Types of housing

There are several different housing needs to be met in the future which have been identified by the Housing Growth Plan. These are outlined below but much more detailed analysis will be required to determine how much of the future new supply is made available for each:

- Meeting the current need for affordable housing (which is found to be mainly from single people and couples)
- Meeting the need for young local households to move to home ownership including some form of equity share of smaller properties to bridge the gap
- Meeting the needs of key workers who will often be looking for good-quality private rent opportunities as well as home ownership
- Market housing for economic growth

Housing for older people

The other group for whom new housing is likely to be needed over the next 10 years is older people. This issue has been highlighted in the research with an apparent need for enhanced provision which spans the full range from ‘down-sized’ mainstream housing through different levels of care provision to full nursing care (with 24-hour nursing provision).

The analysis of the population structure shows that the older people are mainly homeowners and future plans need to reflect this. But there may also be issues of under-occupancy of affordable housing which also need to be assessed and suitable alternatives provided.

There is limited information with which to plan for future provision and to deliver an integrated strategy that includes both market and affordable provision, meets the different types of care needs, and is fundable.
PLANNING POLICY AS CONTEXT FOR HOUSING PROVISION

Headlines
Planning for the Islands is guided by the current Local Plan which runs to 2020. The Plan does not allow the development of open market housing, and private housing is only permitted if it can be shown to meet a local need.

The Local Plan was published in 2006 and predates government guidance (the NPPF) which requires planning authorities to consider future housing provision to meet the range of needs of the whole community – across all tenures and types of household. This is an important change.

The Local Plan has already allocated sites for new housing – but some of these have not been developed. Future development should make best use of redevelopment / brownfield sites (e.g. the Carn Thomas school site) as well as the outstanding Local Plan allocations before new sites for development are identified.

Overall policy approach
The future provision of housing will be shaped by the Local Plan. The current Isles of Scilly Local Plan (2005) covers the period to 2020. It has allocated land for residential development but only permits development of affordable housing or housing providing staff accommodation. No open market housing is permitted and any private housing that is developed will be tied through a planning condition or obligation to meeting a local need. Policy 3 sets this out:

<table>
<thead>
<tr>
<th>POLICY 3 - HOUSING</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 To endeavour to ensure that housing is available to meet the needs of the community in perpetuity and to promote sustainable communities on the inhabited islands, no general open market housing will be permitted.</td>
</tr>
<tr>
<td>2 To ensure that suitable housing is available to meet the long term needs of the community, residential development will only be permitted where it is required to meet:</td>
</tr>
<tr>
<td>a) an identified and recognised local need or to accommodate a key worker whose needs cannot be met by the existing housing stock; or</td>
</tr>
<tr>
<td>b) the provision of staff accommodation for businesses on or near the premises where possible and where it can be demonstrated that there is no other accommodation available and it is not possible to recruit staff already housed on the islands.</td>
</tr>
<tr>
<td>3 All new residential development will be subject to secure arrangements to ensure that it remains permanently available to meet the specific identified need that justified its original permission.</td>
</tr>
</tbody>
</table>

The purpose of the policy is to meet local need only – as this extract from the supporting text illustrates:

“In seeking to provide for the housing needs of the islands, the presumption will be to keep new housing development to that required to meet specific local need generated from within the islands which cannot be met by the existing housing stock.”

The very tightly constrained approach to housing provision (reflecting the very sensitive nature of the environment and infrastructure constraints) predates publication of the National Planning Policy Framework (NPPF) which requires planning authorities to take a ‘whole market approach’ to their assessment of housing need and future provision. See NPPF example below.

The Local Plan was drafted at a very different time and significantly predates the NPPF. There are other parts of the NPPF which ensure the protection of prized environments. But what the NPPF has introduced is a need for planning authorities to consider future housing provision to meet the range of needs of the whole community – across all tenures and types of household.
Development opportunities

There are three sites allocated in the Plan, totalling 30 houses and all on St Mary’s. They are:

• 0.34 hectares adjoining Coastguard Bungalows, Telegraph capable of accommodating a minimum of 15 houses
• 0.36 hectares on the eastern side of McFarland’s Down north of the junction with Pungies Lane capable of accommodating a minimum of eight houses
• 0.06 hectares of derelict farm buildings adjoining and to the south-east of Normandy Farmhouse capable of accommodating a terrace of six units of social housing for rent

The site at Normandy Farmhouse has been developed but the other two sites for 23 dwellings (which are geographically close) have not been brought forward.

The Local Plan does not preclude development on suitable windfall sites and, on average, there have been about five completions on windfall sites each year since the Local Plan was adopted. These include seven affordable units across three of the off-islands (St Agnes, St Martin’s and Bryher). They also include a number of self-build units which can provide a route into home ownership for islanders at a more affordable price.

Development at the Carn Thomas school site in Hugh Town would be another windfall opportunity – this time on a brownfield site. The Carn Thomas site is well located in relation to other facilities in Hugh Town, is a suitable site for a range of (smaller) housing types including flats and can meet the needs of a range of households, including older households.

Together, the outstanding Local Plan allocated sites, the Carn Thomas site and other small windfall schemes that arise total approximately 50 dwellings. This means that provision for only 40 to 70 dwellings would need to be found over the next 10 years to achieve the Housing Growth Plan’s very provisional figure of 90-120 new dwellings. Priority for these dwellings can be given to other brownfield development opportunities and infill sites before any new greenfield development need be considered.

No specific initiatives are proposed for the off-Islands by the Housing Growth Plan but local communities may want to bring their own proposals forward – especially if linked to economic growth.

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Isles of Scilly Housing Growth Plan

Isles of Scilly Council, AMR December 2012
7. FUNDING FOR HOUSING

Headlines
There is very limited grant funding available to provide affordable housing in the future and new sources of subsidy will need to be identified. This can include cross-subsidy from open market housing.

If open market housing is provided then there will need to be strict controls (through the planning system) regarding who can purchase the housing, and this should form part of the Local Plan policy.

Open market housing can include equity share which reduces the cost of purchasing (especially for first-time buyers) and is an option that needs to be worked up locally.

There is an ongoing need for affordable housing on the Islands and it is expected that a high proportion of the new homes developed over the next 10 years will be affordable housing e.g. Affordable Rent and low-cost home ownership.

In the recent past, new affordable housing has been largely funded by public subsidy from the Homes and Communities Agency (HCA). Development costs are higher on the Islands than on the mainland and this increases the amount of grant required. Based on our knowledge of development economics, we have estimated that, at a minimum, a grant of around £110,000 would be needed to develop an Affordable Rent 2 bedroom flat or 3 bedroom house. This is without any consideration of the cost of land. £110,000 is about five times the average grant per dwelling provided by the HCA for Affordable Rent in Cornwall in recent years (about £22,000).12

For the current funding programme (2015-2018) the HCA has made clear that it will assess future bids for funding on a value for money basis. While the HCA may be sympathetic to the additional costs of development faced on the Islands, the difference in requirement for subsidy between the Islands and the mainland, could be difficult to justify in a competitive bidding situation.

The HCA’s Prospectus for their 2015-218 programme emphasises the importance of offering value for money when applying for a grant: “bidders who . . . are able to offer good value for money for the grant funding requested are likely to be advantaged . . .”

To secure grants and fund affordable housing in the future, it will be important to identify other sources of subsidy to add to any HCA grant. This could be money that the council itself can invest or the potential for cross-subsidy from market housing in mixed-tenure schemes. There are no other public sources of funding for housing delivery that are available at this time.

The Local Plan currently precludes development of open market housing because it is not considered to meet the main local need (for lower-cost accommodation) and because it can add too easily to the second home stock and/or letting market.

This is an issue faced by other areas where development is severely constrained but where the authority wants to allow some market housing to take place, both for economic reasons and to provide cross-subsidy for development of affordable housing. This kind of policy can be found in the Local Plans of National Parks. A typical example is set out below, from the draft Local Plan of Exmoor National Park (published November 2013). This is a shortened version.

HC-S3 Local Occupancy Criteria

1. New housing will be in accordance with Policy HC-S1 and in the case of 2 a) will be occupied in accordance with the following local occupancy definition by a person(s) (and their dependents) with a proven housing need who meets one or more of the following:

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12 Schemes confirmed by the HCA: April 2011 - December 2013. HCA website March 2014
Another example of local occupancy criteria being applied to market housing is found in the Lake District National Park. The National Park Authority does not permit open market housing but does permit ‘local needs’ housing which is market housing limited to purchasers with a defined ‘local connection’.

Local occupancy of market housing can be secured either through a Section 106 agreement or a planning condition.

The advantages of this type of approach are:

- Some market housing can take place to help deliver affordable housing without subsidy;
- Some market housing can take place to support defined economic objectives;
- With a restricted market for sale, market values tend to be lower than equivalent properties without local restrictions.

The disadvantages of this type of approach are:

- Once occupied, it is not feasible to enforce the local occupancy criteria if the purchaser’s circumstances change;
- Local occupancy can be enforced on subsequent resales but this requires policing to enforce;
- Mortgages are more difficult to obtain with a restricted market.

Similar criteria already operate on the Isles of Scilly when new private housing is developed for local people. But the Housing Growth Plan proposes two new elements: first, that occupancy criteria are included in policy, and second, that occupancy criteria are applied to any new open market housing. The details of an occupancy policy need to be relevant to the Isles of Scilly but as illustrated above, there are various examples of policies that can be drawn on for this.

A further option open to the Council is to combine local occupancy restrictions with some form of equity share product (e.g. an open market sale home available at, say, 60% of open market value). This would provide some intermediate market housing available only to people who met the occupancy criteria. The option needs considerable further investigation and testing but does offer a way of meeting a market need that is currently unmet.

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13 Housing Provision Supplementary Planning Document. March 2014
8. TOWARDS AN ACTION PLAN

The key issues highlighted by the analysis of the Islands’ housing market are:

- Very limited supply of both affordable housing and market housing at prices local people can afford
- Lack of a ‘middle market’ and low-priced market housing for households who want to get on the housing ladder
- New housing needing to play a clear role in supporting sustainable economic growth
- Limited new development opportunities - but with a mix of redevelopment sites and outstanding Local Plan allocations
- Economic difficulties in delivering Local Plan policies (with its emphasis on affordable housing and very limited prospects for public subsidy to support this)
- Meeting the needs of an ageing population – most of whom are owner-occupiers

In responding to these issues, the Housing Growth Plan sets out a series of actions. Some actions are about defining choices and deciding on priorities, so that the best use is made of the resources (people, land and money) that are available.

1. Government guidance requires local planning authorities to take a whole-market approach in making their plans and identifying their housing targets. This will mean a rethink for the Council, whose plans were drawn up under much earlier guidance. With this in mind, a provisional figure of 90 to 120 new homes has been identified; these should be planned for over the next 10 years to meet local demand and support the planned economic growth. A range of types and tenures of housing is required, including affordable housing for local young people who want to get on the housing ladder and specialist provision for older households as well as incoming key workers and entrepreneurs. The provisional figure needs to be tested through improved evidence.

2. Priority for new development should be on brownfield sites and other windfall opportunities, e.g. Carn Thomas School redevelopment in Hugh Town. The other priorities for development are the sites already allocated in the Local Plan which have not been built out (at Telegraph).

3. Given the limited opportunities for new housing and the wide range of demands for the housing, the type and tenure of the new supply should be planned as an integrated package and not on a 'first come, first served' basis. Realism is also needed about how new housing will be funded.

4. The Council, working with its key partners (the Duchy of Cornwall and active developing housing associations) needs to review alternative approaches to delivery of market housing and explore:
   a) The minimum level of sale housing required to maximise delivery of affordable housing;
   b) The need for new policies to help ensure that ‘local needs market housing’ does actually meet local needs – both from within the community and to support new and existing business opportunities;
   c) Whether there is a role for shared equity within the mix, e.g. at a fixed percentage of the open market value.

5. A rapid review needs to be undertaken to identify what size of dwellings should be planned for. This will reflect the growing number of smaller households (especially of older persons) but also the need for family accommodation amongst the local community. When considering what local needs market housing is to be provided, this could include the opportunity for a small number (say 4 to 6) of larger properties attractive to entrepreneurs but with controls in place to minimise the risk of these becoming second homes.

6. The approach to key worker housing should be continued but the Council and other major employers of key workers should consider developing their own key worker housing (for rent). This would be on a very modest scale (say 4 to 6 flats in a single scheme) but it would assist in maintaining a supply of this housing, so that working on the Islands remains attractive. The ideal opportunity would be a windfall site in the existing urban area.
7. The analysis of the population structure shows that there are a large number of older people who are mainly homeowners. But there is limited information with which to plan for future provision and to deliver an integrated strategy that includes both market and affordable provision, meeting the different types of care needs, and which is fundable. Further evidence gathering is needed but with the aim of developing an integrated housing and care strategy that covers all aspects of housing for the elderly.

8. With the recent developments of affordable housing, there is no identified need or argument put forward for new housing on the off-islands over the next 10 years. However, this should be kept under review, allowing for any locally driven initiatives.

9. The Council can strengthen its evidence base with additional information about the population and housing delivery. This could include:
   a) Population and household projections – especially to identify the potential number of young households and older households in the population;
   b) Evidence of the type of local demand for market housing (price and size of dwelling);
   c) Information about the economics of development and the balance between affordable and local market housing needed to get the housing developed;
   d) Developing policies to support new local market housing so it does not slip into the second homes market and which offers local people the opportunity to afford to purchase, e.g. through equity share. Regarding the latter, the Council will need to investigate which organisations could invest in the share of the equity that is not purchased (this could include the Council itself).

10. The Housing Growth Plan has indicated a new direction for some aspects of the Islands’ housing and planning policies. These will get picked up in any future Local Plan review but, in the meantime, the Council needs to make clear any changes to the way it implements its Local Plan policies. Producing a Supplementary Planning Document may help with this and would be an opportunity to ensure the community could have their say. However, it must be recognised that SPD is not a substitute for a policy review.
These actions are in addition to the ones shown in Annex 1 - Key Actions, and relate to the technical requirements for creating new housing policies.

<table>
<thead>
<tr>
<th>Key actions</th>
<th>Potential lead partners</th>
<th>Delivery timescale</th>
<th>Potential benefits</th>
<th>Scale of costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produce a strengthened evidence base</td>
<td>Council / Duchy / housing associations / local agents</td>
<td>6 months</td>
<td>Provides improved data to refine the policies and targets set out in the Growth Plan</td>
<td>Local staff resources and specialist demographer</td>
</tr>
<tr>
<td>Identifying what level of market housing is needed to fund future affordable housing</td>
<td>Council / housing associations</td>
<td>6 months</td>
<td>Provides essential information to inform future policies and ensure they can be delivered</td>
<td>Local staff resources</td>
</tr>
<tr>
<td>Update the Housing Growth Plan (and find a mechanism to turn into policy)</td>
<td>Council / Duchy / housing associations / local agents</td>
<td>6 months</td>
<td>Sets out an integrated package of housing for the next 10 years</td>
<td>Local staff resources</td>
</tr>
<tr>
<td>Deliver the growth programme and review annually</td>
<td>Council / Duchy / housing associations / local builders</td>
<td>10 years (but annual review and full review after 3)</td>
<td>Implementation of the agreed Growth Plan</td>
<td>Local staff resources but could involve direct investment by Council and others. Cost unknown</td>
</tr>
<tr>
<td>There will be a range of actions under this heading including, for example, providing development briefs for development sites, putting together development prospectuses, employers working together to provide worker housing schemes, and marketing local market housing to potential entrepreneurs.</td>
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