



INSP. EX02 Matter 2 (PS02)

Strategy for Housing

Council of the Isles of Scilly Position Statement

6th January 2020



**Council of the
ISLES OF SCILLY**



Matter 2 – Strategy for Housing

Policies LC1 – LC10 and MI-LC1

2.1 Is the housing requirement figure of 105 affordable homes over the 2015-2030 plan period (paragraph 257 of the plan) based on robust evidence? And in particular:

- (a) Is the assessment of the need for a total of 225 affordable homes during the plan period (para 6.2.3 of EB026), 105 of which would be for newly forming households (para 6.2.5 of EB026), credible?
- (b) Is it justified for the plan's housing requirement figure to be based on only meeting the needs of newly-forming households in need of affordable housing? How will the needs of existing households requiring an affordable home be met?
- (c) Viability evidence indicates that on the allocated housing sites (in total likely to deliver around 116 dwellings) only 50-60% affordable housing is likely to be viable. On this basis how would the needs of the 105 newly forming households in need of affordable housing be likely to be provided for?
- (d) How has the SHMA Update (Data) and (Housing Need), July 2019, (EB027) assessment of a requirement for 105 dwellings for all types of housing (market and affordable homes), based on population growth of 10 people per year (Growth Scenario) and an assumed local affordability ratio, influenced the plan's housing requirement figure of 105 affordable homes for the plan period?

Introduction

2.1.1 There are some elements of the explanation of housing need where we feel greater clarity can be shown in the supporting text of the Plan. We would like to clarify the status of the SHMA Update 2019 Housing Need (EB027) where the LHN of 108 dwellings is set out, and how this replaces the previous OAN (from EB26) of 120 dwellings. The LHN that underpins the Local Plan is 108 dwellings.

2.1.2 The current 2018/19 NPPF sets out a new approach to housing need compared to the OAN under the 2012 NPPF.

“The National Planning Policy Framework expects strategic policy-making authorities to follow the standard method in this guidance for assessing local housing need.

The standard method uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic under-supply.

The standard method set out below identifies a minimum annual housing need figure. It does not produce a housing requirement figure.”

Paragraph: 002 Reference ID: 2a-002-20190220

2.1.3 The LPA's approach to this was first set out in the 2018 SHMA update (EB029) to the 2016 SHMA (EB026) and following confirmation by the new NPPF, a further SHMA update in 2019 (EB027) was produced.

2.1.4 We are aware that EB027 was not correctly linked to on the Examination website when the Inspector set out the Matters, Issues and Questions.

2.1.5 The key issues that drives the Plan's approach to housing are in response to:



- I. **Predicted falling population/households in official projections and an extreme further ageing impact, with recent population estimates showing a declining population, broadly since 2008.**
- II. **a unique housing market, under majority single ownership (Duchy of Cornwall) with no meaningful external “developer” pressure, significant affordability issues and a recent history of under-delivery of housing, competing pressure from second homes and holiday accommodation, and a stock skewed towards flats, private and social renting.**
- III. **Costs of living and costs of physical dwelling construction are significantly higher than the mainland due to the need to ship-in materials, and often specialist trades.**
- IV. **The significant range of physical and landscape, conservation and heritage constraints.**

- 2.1.6 The LPA is clear that two linked challenges underpin their approach to housing in the Plan. Firstly, there is a key aim to step-change the delivery of affordable housing, and this is inextricably linked to attempting to reverse predicted population decline. There is evidence that it is working-age families who are leaving the islands, due to lack of access to, and unaffordability of, homes on the islands.**
- 2.1.7 To maintain an appropriately positive planning strategy in the face of policy guidance where the housing target could have justifiably been set as zero (0), there has been consistency from the approach that was originally taken in the 2016 SHMA (EB026) to avoid a plan that is planning for decline, through to the calculations to set out the LHN calculation in the 2019 SHMA update (EB027).**
- 2.1.8 This approach has been to use alternative and positive household projections to set the context of the overall housing need, so that the Plan both stabilises, and then prevents further population loss, maximising opportunities to prevent existing households (of working-age) from leaving the islands, and further destabilising key services and facilities.**
- 2.1.9 The Isles of Scilly has already seen a shift towards a significantly older population, as EB027 shows in Table 7 where the 65+ population age group has increased from 19.9% in 1998 to 25.9% in 2018. Under the 2016 based population projections this increases to over 30% (EB027 Chart 9) and the working age population (those aged 16-64) decreases in 2030 to 54% from 60% in 2016.**
- 2.1.10 The Isles of Scilly do not neatly fit the ‘one size fits all’ parameters of either plan-making, or typical housing market conditions of mainland authorities.**
- 2.1.11 The islands are largely under the ownership of the Duchy of Cornwall and the island of Tresco is let on a long leasehold basis. There are some small fragmented freehold land/properties on St Marys and some of the Council’s assets are freehold.**



- 2.1.12** The Private Rented sector is very different to mainland authorities. The Housing Development Study 2019 (EB050¹) reports that between a third and a quarter of all housing stock is owned by the Duchy, 300/400 dwellings.
- 2.1.13** The local housing market has always had significantly high levels of household spaces which do not have permanent residents. This is not just ‘vacant homes’ but includes those used as second homes and those used as holiday accommodation. There is also a continuing shift away from serviced accommodation to self-catering accommodation within the tourism sector.
- 2.1.14** There are high levels of private renting across the islands. Social renting is higher than the England average with an associated lower level of owner occupation.
- 2.1.15** There are a higher proportion of flats (19%) compared to England (15%) and Cornwall 8%. This is higher again for St Mary’s (22%). The higher proportion of flats lend themselves to use as holiday accommodation and second homes so there are established ‘tourism’ uses which strongly compete for smaller properties which may be relatively affordable set against detached and larger houses.
- 2.1.16** The Authority is the smallest unitary local authority subject to the provisions of the NPPF. The islands have a range of very specific heritage, landscape and natural environment designations. The tourism industry dominates employment, facilities and increasingly housing stock.
- 2.1.17** Put simply a market-led ‘growth’ strategy to tackle issues of supply and affordability would not work for the Isles of Scilly in the way it would for a small rural local authority on the mainland. Particularly in relation to responding to either declining population or high cost market pressures. The Isles of Scilly have both of these conflicting pressures to resolve, in addition to the challenges of land ownership, build costs and the dominance of tourism which underpins the local economy.
- 2.1.18** As a result of this, and to respond to previous under-delivery of (market and) affordable housing, this plan sets out a series of housing allocations, which, with suitable sources of funding, could ensure a more robust sustainable future for the islands population and economy. The LHN is robust and the plan’s approach to housing matters is bespoke to the unique circumstances and challenges that the islands face.

- A. Is the assessment of the need for a total of 225 affordable homes during the plan period (para 6.2.3 of EB026), 105 of which would be for newly forming households (para 6.2.5 of EB026), credible?
- B. Is it justified for the plan’s housing requirement figure to be based on only meeting the needs of newly-forming households in need of affordable housing? How will the needs of existing households requiring an affordable home be met?

Taking the first two bullet points of question 2.1 together (A) and (B),

¹ EB050 Page 13 for sources



2.1.19 Paragraph 6.2.3 of the 2016 SHMA (EB026) needs to be read in context of paragraph 6.2.4 and the more detailed assessment of this issue found in sections 14 and 15. The methodology applied in the EB026 was “industry standard”. The Council are not aware of any alternative approaches or any critiques raised around the methodology in previous consultations. The modelled outcomes of the Housing Need Survey are based on a household survey with 31% response rate that is scaled to the wider population. This is a standard approach which may contain an optimistic inflator as people with housing needs may be more likely to respond to such a survey. However, the methodology is robust and consistent with available national guidance.

EB026 states at 15.11.3-5

15.11.3 The PAS Technical informal advice note - Objectively Assessed Need and Housing Targets issued in June 2014, suggests that as the backlog is of existing households already in accommodation they would free up a dwelling if re-housed.

15.11.4 Therefore when calculating the overall housing need figure only the needs of new forming households who cannot afford to access the private market should be considered.

15.11.5 This new households total would be 7 a year, identified at 2.3 in the Model above.

2.1.20 It is clear that the Plan is not setting out a requirement based on the 225 figure, that expression is set out only in EB026, and has a very focused meaning.

2.1.21 The PAS Technical informal advice note² - Objectively Assessed Need and Housing Targets issued in June 2014, suggests that as the backlog is of existing households already in accommodation they would free up a dwelling if re-housed.

2.1.22 This note explains in paragraphs 9.3 to 9.8 that much of the assessed affordable need relates to existing households that are or will be entitled to affordable housing over the plan period. For the most part the needs of these existing households are not for net new dwellings. Except for those who currently live in temporary institutional accommodation or on the street, if they move into suitable housing they will free an equivalent number of dwellings, to be occupied by people for whom they are suitable.

2.1.23 When calculating the overall housing need figure, only the needs of newly forming households who are predicted in the future to not be able to afford to access the private market should be considered.

2.1.24 This equates to the 105 newly arising households total. The 105 household figure does not form a part of what was then the OAN, but was used to set out the minimum level of the housing requirement.

2.1.25 The 120 households in existing need can be considered to be made up of a range of types of household in ‘need’, from those in urgent need of housing i.e. without a current permanent home, to those who are living in overcrowded or substandard homes, and those who have an aspiration to live elsewhere but are not in urgent need of re-housing. The Isles of Scilly has no registered

² <https://www.local.gov.uk/sites/default/files/documents/objectively-assessed-need-9fb.pdf>



homeless, has 59 people on the wider housing waiting list, and the 12 on the priority waiting list. The 'priority need' element is a snapshot on the basis of the fluid nature of personal circumstances at any given time.

2.1.26 These numbers need to be seen in the context of wider pressures of costs of living, low earnings and lack of new affordable homes. Indeed the 2016 SHMA (EB026) sets out that an expected 135 households³ would leave the islands in the next three years, with 86.5% of these quoting reasons which include:

- Being unable to buy a house;
- A lack of affordable housing; and
- Other financial reasons.

2.1.27 This should be seen in the context of the 'official' declining projections and the 2016 SHMA (EB026⁴) set out a household decline of 100 households from 2015-2030.

2.1.28 The 2016 SHMA (EB026⁵) also set out that some turnover of existing stock and wider council activity/policies were required to address those described as 'in existing need', but where this outcome would free up the home where those were already located. This states at paragraphs 2.8.5-6:

2.8.5 Meeting the total need for affordable housing however also involves initiatives to free up under-occupied social units making best use of the existing stock in addition to new unit delivery through the planning system.

2.8.6 Making best use of the stock, particularly in the social sector could have a significant impact on the delivery requirements of future social rented need and the success and outcome of initiatives to improve the flow of stock require close monitoring.

2.1.29 The 2016 SHMA (EB026⁶) also sets out that:

"2.9.5 Future 3-bedroom unit need, could therefore be met from better turnover of the existing stock arising from initiatives targeted to free up under-occupied stock."

"2.9.7 Achieving a better flow of family units should also have a cascade effect, increasing turnover of all smaller unit sizes, as households are able to transfer to larger units to meet their need. In effect up to three household moves could result from the delivery of one new older persons unit."

2.9.8 This should be a priority for Housing Strategy and closely linked with planning policies for new delivery."

2.1.30 Finally the 2016 SHMA (EB026⁷) considered churn in the existing stock arising from either the circumstances of need changing or moving away from the Islands and concludes this is 9 units a year.

³ EB026 Section 12.3

⁴ Table 3.4 of EB026 175 less people and associated Table 3-5 100 less households or 119 people and 72 households less using the 2014 projections

⁵ EB026 Para 2.8.5 & 2.8.6

⁶ EB026 Para 2.9.5-7

⁷ EB026 15.9.1-2



15.9.1 Average annual re-let supply of affordable units is normally used in the model as a prediction for the future annual affordable housing supply from general needs re-lets (i.e. excluding transfers and new unit delivery) likely to arise each year.

15.9.2 Council data for the 18 months to October 2015 shows that there were 13 re-lets equivalent to 9 re-lets a year, a turnover rate of 5.4%. 9 units a year,

2.1.31 The Council currently pursues the following actions around those in current need:

- **Negotiating with tenants to free-up under-occupied social rented units to make best use of the existing stock which can free up 3 to 4 properties as households trade-up to the size they require; and**
- **bringing social sector stock up to Decent Homes Standard.**

2.1.32 The islands have no ‘vacant’ social stock or under-used buildings that could come forward as homes to meet affordable need.

New Delivery Context

2.1.33 The model for the delivery of new affordable homes on the Isles of Scilly is complex. As well as the difficulties arising from the islands’ location and the logistics of transporting materials and labour, there is also the issue of affordability, with costs of development estimated at least 50% higher than mainland construction.

2.1.34 Because of this, registered providers and developers have been put off the housing delivery programme, despite the extremely high value of homes on the islands, due to the limited profit margins; especially for delivering affordable homes. The council is therefore seeking to lead on the delivery of affordable and key worker homes on the islands, working with Homes England, through the new approach in the plan to allocate key housing sites, and prioritise these for affordable occupancy.

2.1.35 Using MHCLG data⁸ (Table 1008C: Total additional affordable dwellings provided by local authority area – Completions) there have been the following historic total affordable dwelling additions on the Isles of Scilly:

- **1991-00: 20 units**
- **2000-10: 19 units**
- **2010-19: 9 units**

2.1.36 Broadly, delivery has halved in the last decade. There have only been 5 additional affordable dwellings since 2015/16.

2.1.37 The Council’s position and its emerging work on a Housing Strategy is aimed at addressing both this need and ensuring future delivery of affordable homes is a priority and achieved.

2.1.38 On the Isles of Scilly, the Council could have taken the view that the earlier OAN and the current LHN would be zero (0). Under both 2012 and the current

⁸ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

Using Tables 1000-1009 in particular table 1008



2019 NPPF the prevailing household projections (2012, 2014 and 2016 based) all have a negative outlook on future household growth. The plan is based on a positive approach to address affordable housing need.

- C) Viability evidence indicates that on the allocated housing sites (in total likely to deliver around 116 dwellings) only 50-60% affordable housing is likely to be viable. On this basis how would the needs of the 105 newly forming households in need of affordable housing be likely to be provided for?

Turning to bullet (C): Viability

2.1.39 In March 2018 the Council of the Isles of Scilly published a strategic viability report (EB028) to support the assumptions and policies being developed within the Local Plan. The report, produced by Three Dragons and Rural Housing Solutions, used an accepted national model to provide a guide on the delivery of affordable housing. The model was sense-checked following discussions with local agents and assumptions made on the premium required in terms of build costs compared with a Cornwall average.

2.1.40 The report set out the following key findings;

- **Housing development on the Isles of Scilly would not be able to deliver schemes of purely affordable housing without significant levels of grant funding. In order to deliver affordable homes without grant, around 40% to 50% of dwellings will need to be market housing. Local Plan policy LC1 supports the approach of allowing market homes where they enable the delivery of affordable housing.**
- **Schemes maximising the proportion of affordable dwellings can be best delivered as a mix of tenures, with a combination of Affordable Rent, Shared Ownership and open market sale to meet a range of housing needs.**
- **The policy of enabling open market dwellings to be sold to those who will occupy them as their principal residence, is supported by the viability analysis. However, it should be noted that, in some cases, this restriction may marginally reduce the number of affordable dwellings delivered. But by optimising the mix of dwelling types and affordable housing tenures, the introduction of principal residence should not impact on the overall level of affordable housing delivered.**
- **Delivery of affordable housing is sensitive to development costs and it will be important that costs are minimised so that the maximum amount of affordable housing can be delivered.**
- **Development costs are higher on the islands than the mainland for a number of reasons including higher transport costs for materials, higher costs for disposing of waste materials, limited economies of scale that can be achieved and need to 'bring-in' specialist labour for certain tasks (with their associated transport and accommodation costs).**

2.1.41 In response to these issues, and the housing allocations contained in the Local Plan, the Council's Housing Strategy Team commissioned a Housing Delivery Study (EB050) in 2019, to support a practical delivery strategy for key worker/affordable housing to meet the needs of the local community on the islands.



- 2.1.42 Key findings from this confirmed the need for the Council to take an active role in leading on the delivery of the main sites but, at an individual site level, questioned whether the 40/50% market housing assumption from EB028 was valid.**
- 2.1.43 The reliance upon the cross-subsidy of market homes, as might occur elsewhere in the UK, appears less certain in the context of the Isles of Scilly, in part due to the limits of possible development partners and, for larger schemes, the far higher ‘costs-versus-return’ risks.**
- 2.1.44 In working towards a Housing Strategy for the islands, further work is ongoing to better understand viability and costs, and also to secure public subsidy from Homes England to ensure that the sites allocated in the Plan are taken forward.**
- 2.1.45 Wider delivery has not met previous general market targets and delivery of affordable homes have slowed since 2011, with only 5 units delivered since 2015. However even the rates seen in the previous decades are not sufficient to address the risk of further population decline, particularly within the working-age population, with all the consequent ramifications of this.**
- 2.1.49 The Council are at the early stages of leading work to ensure the delivery of sites allocated in the plans (H1 and H3). A report to Full Council titled Housing Delivery Update no. 4 on 17th December 2019⁹ is quoted below to show progress on taking forward allocations H1:.**

9. The site has been accepted into the Small Sites Fund programme run by Homes England and as a consequence Homes England have commissioned engineers, valuers, and architects to appraise the site with a view to preparing the site for housing delivery. The outcome of their work will include topographic surveys, slope stability assessments etc. Once that work is concluded we will be informed if further funding can be provided to clear the site de risking it for development. This work will be funded from Homes England.

10. In terms of next steps a report is awaited from Homes England. They have been requested to complete ground investigations and topographic surveys as well as provide funding for the removal of material on site and provide advice and financial support towards the submission of a planning application for a housing development on this site.

11. Pre-application planning advice was sought and the response was favourable. Public engagement on the programme and illustrative layout took place in November. Feedback was very positive, and detailed comments are being fed into the design process. This co-design process will be iterative and will require a continued discussion with key stakeholders and the community.

13. Site viability - The Council has run initial viability appraisals on the site. This identifies a significant funding gap and accords with the findings from earlier work undertaken previously by the Duchy. In light of this it might seem strange that there is a recommendation to progress the site towards planning approval. The rationale for doing so is set out below.

⁹ <http://committees.scilly.gov.uk/documents/s26992/Nov19%20HDP%20update%20003.pdf>



14. There are three important reasons for now progressing the site and obtaining planning approval:

- If the site is to be developed it will need planning approval.
- If the site is to obtain external grant support for the delivery of homes it needs planning approval.
- If the site is to attract a development partner they will need the certainty of planning approval.

2.1.47 and for Site H3

18. The proposed end use of this site is as a self or custom build site. This was tested at the community engagement event and received favourable feedback.

19. There are currently 33 people on the self-build register. Rules that came into effect on 31 October 2016 placed a duty on local authorities to make land available to meet the demand on their self-build and custom housebuilding registers. The Council have a legal duty to grant sufficient 'development permissions' to meet the demand for self-build and custom housebuilding in their area. This requirement has not yet been met.

20. The attractive location of this site and potential layout lends itself to custom and self-build.

21. There can be confusion as to what is self or custom build and there are a wide range of delivery models available.

22. The first step is to understand identified need. Face to face interviews are being conducted with all those currently on the self-build register. This will give an insight as to the range of solutions required to best meet that need. The site layout and density will need to evolve as more is known. What is clear is that there will need to be leadership to take this option forward. Many other areas facing similar situations have established a Community Land Trust to drive delivery and coordinate groups of potential self-builders.

23. Advice from Cornwall Community Land Trust and experts within the Community Housing Fund team at Homes England have suggested that setting up a housing group first and exploring how that might work would be a first step. A Community Land Trust would follow in terms of process. This accords with the recommendations in Housing Development Study May 2019. The rationale for the Community Land Trust is set out within that report. Funding from the Community Housing Fund expires at the end of March 2020, however there is strong lobbying for the fund to be extended for a further year. Proposals drafted now will place us in a strong position to access underspend or new funding and will provide an opportunity to progress the development of a Community Land Trust for Scilly.

2.1.48 The council believes that the overall policy framework is robust and suitably flexible and would allow for clear decisions to be made around viability arguments if more detailed evidence was presented as part of the detailed planning application process on individual allocations, in the context of ensuring a range of affordable housing types were delivered.

- D) (d) How has the SHMA Update (Data) and (Housing Need), July 2019, (EB027) assessment of a requirement for 105 dwellings for all types of housing (market and affordable homes), based on population growth of 10 people per year (Growth



Scenario) and an assumed local affordability ratio, influenced the plan's housing requirement figure of 105 affordable homes for the plan period?

Turning to bullet (D)

- 2.1.49** In responding to the Inspectors fourth bullet the Examination library did not originally contain the 2019 SHMA update report (EB027) by Understanding Data. To provide context we set out the chronology of the work undertaken since the 2016 SHMA and Plan's response.
- 2.1.50** The 2016 SHMA (EB026) intended to use official projections to underpin the OAN approach. After advice from the demographic consultant engaged to support the SHMA work and after consultation with the Planning Authority, it was agreed that two bespoke projections would be set out which provided alternatives to the official projections and the decline they showed for both population and households.
- 2.1.51** It should be noted that growth in this context was an attempt to show the impact of retaining the population, that the official projections were setting out would be lost.
- 2.1.52** Following on from publication of EB026: The Government announced their intention to move to a simplified standard methodology for calculating housing need in Sept 2017 with publication of "Planning for the right homes in the right places"¹⁰ which included a Housing Need Data Consultation which set out the 'Indicative' assessment of housing need based on proposed formula, 2016 to 2026 (dwellings per annum)'. For the Isles of Scilly this was zero (0).
- 2.1.53** This was further confirmed through consultation on a draft new NPPF (March 2018) with accompanying papers setting out a new draft planning policy guidance.
- 2.1.54** The Government confirmed the shift from OAN to Local Housing Need (LHN) and published new NPPF July 2018 (which was then revised in February 2019).
- 2.1.55** The Government confirmed a qualifying period for transitional arrangements allowing plans that were prepared under the auspices of the 2012 NPPF to be examined under these provisions rather than the 2018/9 NPPF.
- 2.1.56** The Isles of Scilly Local Plan has been submitted for examination after this deadline and is due to be examined under the 2018/19 NPPF, e.g. LHN under the standard method, although clearly much of the supporting evidence has been prepared under the auspices of the 2012 NPPF. Given both the size of the islands and the resources of the Council, a pragmatic approach has informed the reuse and partial updates of key evidence.
- 2.1.57** In terms of new data available after publication of the 2019 SHMA update (EB027):

¹⁰ <https://www.gov.uk/government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals>



- **2014 based sub-national population (May 2016) and household projections (July 2016)**
 - **2016 based sub-national population (May 2018) and household projections (September 2018)**
- 2.1.58** The ONS revised population estimates for 2012-16 following on from methodology changes in March 2018 and the latest available population estimates for 2018 were published in June 2019.
- 2.1.59** The 2018 SHMA update (EB029) was undertaken to provide an illustration of what a standard method calculation of LHN would be, through provision of alternative (and positive) household projections and by estimating an affordability ratio (through providing alternative earnings estimates).
- 2.1.60** At this point the LHN was a stated 'direction of travel' in national policy and the Plan was still underpinned by the OAN from the 2016 SHMA.
- 2.1.61** The 2019 SHMA update (EB027) was prepared following on from confirmation of the applicability of the new standard method (LHN) and the publication of the 2018/9 NPPF.
- 2.1.62** The 2012 official projections set out in the 2016 SHMA (EB026) and more recent 'official 2014 and 2016 based household projections' have showed a declining future number of households. When draft figures were published in 2017 (Housing Need Data Consultation table by MHCLG) the Isles of Scilly had an indicative assessment of housing need of zero (0).
- 2.1.63** This is because of the two working elements in the new standard method, household projections and affordability ratio, the Isles of Scilly had a negative official household projection (e.g. there were expected to be less households in the future) and no published affordability ratio (there is house price data, but due to the small size of the islands and the fact that the main source of earnings data is survey based, there is no regular or robust local earnings data). The Council is seeking to address both recent 'actual' population decline and predicted continued 'future' decline and loss of working-age people and households, through boosting the supply of affordable housing and changing a trajectory of delivery which has not met previous targets.
- 2.1.64** The 2019 SHMA update (EB027) used household projections sourced from both ONS and the Greater London Authority. These provided alternative assumptions and outcomes to the official 2014 and 2016 based household projections. Commissioning new bespoke projections was considered but not felt to be proportional given the availability of these published alternatives.
- 2.1.65** A proxy earnings measure was sourced and sense tested to allow for the application of the affordability adjustment. The intention at the point of drafting the 2018 SHMA update (EB029) was still to submit before the end of the 2018 so the transitional cut-off period (24th January 2019) that the 2018 NPPF introduced would have applied.
- 2.1.66** The Isles of Scilly Local Plan was submitted in Sept 2019. As the Plan was not to be considered under the 2012 transitional arrangements, and the final



guidance on how to calculate LHN had been confirmed, in July 2019 the Council produced the 2019 SHMA update (EB027).

- 2.1.67** The 2019 SHMA update (EB027) sets out a LHN which for 2015-30 would be 108 dwellings, or 7 a year. This was 12 dwellings lower than the 2016 SHMA OAN of 120 dwellings.
- 2.1.68** This is a standard method consistent with alternative data choices clearly set out. It is not based solely on the SHMA 2016 growth scenario but on a blend of three positive household projections. From this derivation (blended household projections) it is broadly consistent with the 2016 SHMA population projection (growth/retention).
- 2.1.69** The Inspector's question links the original 2016 SHMA's (EB026) annual population average from the 'growth' scenario to the current stated requirement, although the 2019 SHMA update (EB027) was not originally on the Examination website when the MIQs were issued.
- 2.1.70** It should be noted that the Council tried to seek clarification from CLG about the approach they had undertaken to establish consistency with the "new standard method.
- 2.1.71** The response from CLG stated:

"Given the Secretary of State's role in the planning process, we cannot offer comment on individual cases. However, as the data that would inform part of the standard method is unavailable, you may find paragraph 013 of the housing need assessment planning practice guidance helpful. This refers to having the 'best available information on anticipated changes in households as well as local affordability levels' where available data does not allow local housing need to be calculated using the standard method".

2.2 Is the plan's overall approach to meeting housing need justified and likely to be effective including (a) its reliance on windfall sites to meet housing needs on the off-islands and (b) permitting some market housing to enable provision of affordable housing?

2.2.1 It should be noted that the off-islands are of a far smaller scale than St Mary's. St Agnes and Bryher (combined) have a population of around 190, St Martin's 158 and Tresco 254. In mainland terms St Agnes and Bryher are around the size of hamlets, St Martins and Tresco (very) small villages.

In relation to a)

2.2.2 Essentially the only new houses delivered in the last 5 years have been windfall. The delivery of social housing under the 2005 local plan came forward largely on windfall sites (except one development of 6 at Branksea Close which was Proposal A3). Between the years 2004 to 2014, 21 windfall affordable homes were delivered including on the off-islands: 2 on Bryher, 2 on St Martins, 3 on Agnes and 14 on St Mary's). This is set out in the Housing topic Paper (EB024), table 2 on page 14.

2.2.3 Paragraph 58 of EB024 states:



What is apparent from the SHLAA is that no sites were submitted on the off-islands of St Martins, St Agnes or Bryher. This is because the Duchy of Cornwall consider it inappropriate to identify specific sites given the small scale of these islands. It is likely that housing demand on the off-islands would be assessed as the opportunity or need arises. Furthermore the 2016 SHMA did not breakdown the housing need by island and as such it is difficult to precisely identify the housing needs of each island. Consequently it is considered appropriate to cater for housing needs outside of St Mary's on a windfall basis only.

2.2.4 The plan sets out at paragraph 285-287 the circumstances where new homes would be acceptable on the off islands. This reflects the reality of both ownership of the off islands and the view of the island owners on identifying larger sites.

2.2.5 Although Tresco Estate did submit 4 sites for consideration in the Strategic Housing Land Availability Assessment (SHLAA) (EB025), it was unclear whether these were specifically for 'staff accommodation' needs or for further 'tourism accommodation' needs for the Estate. Given the Local Plan was seeking to strategically plan for the delivery of affordable homes, it was not considered that the island of Tresco would be suitable for affordable homes. Both 'staff accommodation' needs and 'tourism accommodation' needs would be considered under specific policies separate to the strategy to deliver affordable homes. They were therefore not included in the Plan under Policy LC6.

In relation to b)

2.2.6 Paragraph 104 of EB024 sets out:

It is acknowledged that in such a highly designated and protected landscape new homes should seek to use previously developed land, when available and build at densities that make the most effective and efficient use of available sites. In addition, and given the acute housing issues on the islands, any 'open market' dwellings should only be permitted to 'enable' the provision of the affordable homes required to meet the needs of the community through cross-subsidisation. As previously indicated, given that open market housing is likely to be required to enable the provision of affordable homes, the amount of such housing is difficult to quantify and will depend on the cost and viability on a case-by-case basis. This approach is evidenced appropriate and justified.

2.2.7 The LPA is required to ensure the Strategy set out in the Local Plan is deliverable and viable over the plan period. The Housing Viability Assessment (EB028) recognised that delivery of 100% affordable homes was unlikely to be viable. In considering the context of the 2005 Local Plan, where the delivery of general open market homes was completely prohibited, the delivery of any homes, once Government subsidies declined, also resulted in minimal homes coming forward on the Isles of Scilly. One of the key findings (paragraph 12) stated that 'schemes maximising the proportion of affordable dwellings can be best delivered as a mix of tenures, with a combination of Affordable Rent, Shared Ownership and open market sales to meet a range of housing needs. Essentially sites for 100% affordable homes could not be demonstrated as viable without some cross-subsidy from market housing and/or grant funding.



The viability assessment (EB028) factored in the emerging changes to the NPPF.

2.3 Is setting a maximum number or proportion of new market homes (or a maximum of number of all new homes) which will be granted permission necessary for the plan to be sound?

2.3.1 No, it is not considered to be necessary to make the plan sound, on the basis of dominant single land owner and the issues around viability for housing delivery on the islands.

2.3.2 The Council intends to lead on preparing key sites for delivery. Until further detailed and site specific viability is undertaken, the level of other funding sources confirmed, and development partners signed to assist delivery or manage the site, the detailed balance of what would make a site deliver the best mix of affordable housing is unknown. The policy framework has the flexibility to enable this approach.

2.3.4 The LHN figure of 108 dwellings would be seen as a minimum, however a maximum figure could change the view of key national consultees on the Plan's current proposals and their impact.

2.3.5 Due chiefly to the land ownership issue, there has been a very limited delivery of new homes over the last ten years, with only 5 completions for local need dwellings, subject to Section 106 control mechanisms, since 2015. There have been additional completions of staff accommodation and holiday accommodation, but for affordable housing, however, the costs have significantly outweighed the available public subsidy as seen in the reduction housing development.

2.3.6 The challenge for the islands, within the plan period, will be getting some of the key sites ready for delivery within the next two or three years. Any likely review of the plan would inevitably be commenced before issues arise around exceeding the LHN of 108 dwellings.

2.4 Is policy LC1 justified in requiring any market homes, proposed to facilitate the delivery of affordable dwellings, to be occupied as principal residences only, subject to the exceptions detailed in part 4 of the policy?

2.4.1 Yes, it is considered to be a justifiable policy position. This is driven by the scale and peculiarities of the local housing market and issues around the sustainability of the islands long term future, and a drive to ensure housing for workers and that key services can be delivered by residents who can access secure long term housing.

2.4.2 In permitting open market homes, as a mechanism to deliver affordable homes, consideration will be given to applying a sequential approach. A sequential approach in the first instance could seek to restrict the enabling 'open market' housing to ensure that it is used as a 'principal residence' only through a planning condition. The justification for this approach would be on the basis that pure unfettered 'open market' could be considered to be socially



unsustainable development as it would add to the existing housing problems on the islands by fuelling more second home ownership and holiday accommodation, as an investment opportunity, contrary to the sustainability tests of the NPPF. Such principal residence open market housing could be secured by businesses and organisation needs to meet their staffing, recruitment and retention issues. However the preference for this approach could be waived where the viability of a site submitted on an 'open book' basis demonstrates an imbalance in the ratio of affordable homes relative to open market homes. Policies should require that in all cases the ratio is always in favour of a higher number of affordable homes on any site.

2.5 What is the justification for the different occupancy restrictions set out in policy LC2 for affordable homes delivered by the Council/Registered Provider and those which are delivered by others?

2.5.1 The key difference and therefore justification, is that where the Council or a Registered Provider control the delivery and/or occupation of the new homes there are existing qualifying criteria to occupy these properties. The Council use a points-based system for assessing who is eligible/prioritised for housing. The qualifying criteria set out in Policy LC2 will apply when a house or homes are being delivered privately such as a self-build opportunity (which is the way most new homes have been delivered in the last 5 years). Where planning permission is granted for new homes, there will be a mechanism imposed to retain the occupation of the dwelling by local people in perpetuity (most likely a Section 106 agreement) and this qualifying criteria will be applied to the S106.

2.6 Is there evidence to justify the need for and viability of policy LC3's requirement in respect of Nationally Described Space Standards?

Context

2.6.1 In relation to the Inspectors question above and consultation response¹¹, it is considered that there is adequate evidence to justify the need to control the size of new local need homes. The immediate context is considering space standards for the LHN of 108 new properties against the existing housing stock of 989 occupied dwellings out of a total stock of around 1389 dwellings. The expected new homes on the islands are intended to be affordable to meet the housing needs of the community. As such it is justifiable to attempt to match the policy aim of re-balancing the housing stock by influencing the size of homes (bedrooms) by using a physical size measure.

Recent Policy Context and Examples

2.6.2 Policy LC3 in the first Regulation 19 consultation draft Local Plan set a requirement that all new affordable homes permitted on allocated sites (Policy LC6 or as windfall sites (Policy LC7) must be affordable by size and type to

¹¹ LP-R19-003, page 6; LP-R19-015, page 51 EB03: https://www.scilly.gov.uk/sites/default/files/planning-apps/EB03%20Draft%20Local%20Plan%20Reg%2019%20Summary%20of%20Consultation%20Responses_0.pdf



local people and will remain so in perpetuity, with the gross usable floor area being 93 square metres or less (the size of a 3 bedroom, 2 storey home for 5 people), unless there is a proven need for a larger dwelling. This approach could be justified as a reasonable approach to rebalance the housing stock and is sourced from the Technical Housing Standards. Other Local Plans have adopted similar approaches (see below). The second Regulation 19 consultation and the Regulation 22 Submission Draft Plan maintains the spirit of this approach but removes the specific reference to 93 square metres and instead aligns with the Nationally Described Space Standards (NDSS), as set out in the Technical Housing Standards, 9 which was published by MHCLG in 2015.

Examples looked at for other Local Plans:

2.6.3 The Hastings Local Plan includes Policy DM3 f) which reflect the evidence report 'Space Standards within the Home', it produced in February 2014. This sets out an analysis of a range of Councils who had looked at internal space standards. This shows that most of these Authorities use 93 square metres for affordable housing

Local Authority/Agency	Dwelling type						
	Studio	1 or 2 person flat	3 person flat	1 or 2 person house	3 person house	4 person house	5 or 6 person house
Scott Wilson CABE report (Mean ave of 250 units)	32 sqm	47 sqm for 1 61 sqm for 2	87 sqm	64 sqm for 1 71 sqm for 2	95 sqm	120 sqm	163 sqm for 5
Lambeth Council	37 sqm	45 sqm	60 sqm	45 sqm	60 sqm	70 sqm	85 sqm
Broxbourne Council	37 sqm	50 sqm	60 sqm	60 sqm	75 sqm	85 sqm	100 sqm
Hertsmere Council	37 sqm	50 sqm	61-74 sqm	83 sqm	87-96 sqm	87-100 sqm	96-107 sqm
London (Housing Design) Guide	37 sqm	50 sqm	61-74 sqm	83 sqm	87-96 sqm	87-100 sqm	96-107 sqm
Mid Sussex Council	32.5 sqm	51-66 sqm		77 sqm	93 sqm	111 sqm	
Worthing Council	32 sqm	51-66 sqm		77 sqm	93 sqm	106 sqm	
Homes & Communities Agency	45-50 sqm	45-50 sqm	57-67 sqm	45-50 sqm	57-67 sqm	67-75 sqm	75-85 sqm
Harlow Council		48 sqm	61 sqm		71 sqm	80 sqm	96-114 sqm
Ashford Council		50 sqm	61 sqm		71 sqm	83 sqm	96-114 sqm
Sandwell Council	40 sqm	50 sqm	65 sqm	65 sqm	65-80 sqm	80-100 sqm	100 sqm
Average dwelling size granted consent in 2013		49 sqm	62 sqm	66 sqm	89 sqm	98 sqm	131 sqm
Existing SPG	32.5 sqm	29.5 sqm	38 sqm	29.5 sqm	38 sqm	44 sqm	52-66.5 sqm (5-7 persons)
Mean average including existing SPG	36 sqm	47 sqm	61 sqm	63 sqm	74 sqm	85 sqm	96 sqm
Median average including existing SPG	37 sqm	50 sqm	61 sqm	64.5 sqm	73 sqm	84 sqm	96 sqm
Proposed revised Watford Borough Council	37 sqm	37-50 sqm	61 sqm	37-50 sqm	61 sqm	70-74 sqm	86-99 sqm

TABLE 6 COMPARATIVE ANALYSIS OF DWELLING SIZE STANDARDS FROM 'SPACE STANDARDS WITHIN THE HOME'; FEBRUARY 2014 BY HASTINGS BOROUGH COUNCIL.

2.6.4 The Nationally Described Space Standard will replace the existing different space standards used by local authorities. It is not a building regulation and remains solely within the planning system as a new form of technical planning standard. This sets out that a 2 storey 3 bedroom for 5 people would be 93 square metres.

2.6.5 One clear way of supporting this approach on the Isles of Scilly, is to place restrictions on the size of new affordable dwellings, as in the example of Exmoor National Park Authority (see below). Mechanisms to maintain new



homes from excessive size increases is a recognised way, tested at examination, to ensure that dwellings will be affordable by size and type to local people on low or moderate incomes and will remain so in perpetuity.

- 2.6.6** The Exmoor Local Plan contained a policy approach seeking to limit the size of new affordable housing. The Inspector’s report on that plan commented as follows: “However, the specific limit of 90sqm set in submitted policy HC-S2 (and reflected in other relevant policies) is not based on the current national technical housing standards published by DCLG in 2015. MM31 therefore amends it slightly so that it corresponds to the national standard of 93sqm for a two-storey, three-bedroom dwelling. That should be sufficient to meet most housing needs that arise, but MM31 also makes necessary provision for exceptions to the limit in certain circumstances. So that the benefits of the dwelling size limit are not eroded over time, it is necessary for relevant policies to provide for the withdrawal of permitted development rights for extensions to new dwellings. MM39 is required to ensure that HC-D14 reflects the same approach.”
- 2.6.7** In this context, the approach of the Isles of Scilly Local Plan is both reasonable and appropriate. While applying a fixed size limit would be appropriate there is more flexibility by making clear reference to relevant guidance and the need to provide a mix of types sizes and tenures.

2.7 Does Policy LC3 (and its supporting text) adequately explain how the “appropriate mix of dwelling types, sizes and tenures” will be determined?

- 2.7.1** The plan sets out the key issues that will shape this policy in paragraphs 271-275. The SHMA 2016 (EB026) sets out recommended breakdowns for tenure bedrooms and from the Census and the Household Survey. This is summarised at paragraphs 60-61 of the Housing Topic Paper (EB024).
- 2.7.2** EB024 also states at paragraph 83. These factors in combination mean that the available housing stock of the islands, for permanent residence, does not currently provide a range of accommodation sizes and types to meet the needs of all sections of the local community.
- 2.7.3** At paragraph 84. This shortage affects different prospective occupiers not just those in affordable need. Maintaining a stock of smaller and cheaper accommodation types is a critical part of the Local Plan’s response to the challenges that the islands face, highlighted in the SHMA. These factors are also relevant to the issue of limiting the size of extensions to existing dwellings.
- 2.7.4** Any planning applications (under either windfall or for the housing allocations) would be expected to set out the approach of that site to type, size and tenure. As set out above, the housing needs of those waiting to be housed or re-housed, is a very fluid need. The movement of 1 family or 1 person’s needs be satisfied, often triggers a churn of movements as households ‘shuffle’ into larger or smaller homes as meets the needs at any given time. There would be an expectation that a development coming forward would ensure there would be no imbalance of homes is created and that a range of home sizes can be



considered and justified to reflect a point in time, rather than this being imposed in the policy.

2.8 Is there sufficient clarity as to what is meant by “existing built-up areas” on St Mary’s in policy LC7 (1a)? Is this the same as the settlement boundaries shown on the Policies Map?

2.8.1 It is intended that the windfall homes would come forward in or adjacent to settlement boundaries on St Mary’s, the reference to ‘existing built up areas’ was to prevent development resulting in new isolated homes. An earlier iteration of the plan this policy did include the list of settlements which would clarify the Inspectors point. This was amended as there had been no SA consideration of alternatives to the 7 settlements identified, even though these settlements were the result of a larger pool of built up areas on St Mary’s. So the policy was amended to ‘built-up areas’ which the pre-amble text (para 285) refers to the 7 settlement areas.

2.9 Is there sufficient clarity as to what are the “needs of the local community” referred to in policy LC7 (2)? Is this intended to mean “A local housing need” as defined in parts (1), (2), (3) and (4) of policy LC2?

2.9.1 It is considered that there is sufficient clarity as to what is intended by the use of the term “needs of the local community”. Essentially the qualifying criterial in Policy LC2 sets out who would qualify to occupy new homes under this policy. Paragraph 58 of EB024 also sets out commentary in relation to off-island needs: ‘What is apparent from the SHLAA is that no sites were submitted on the off-islands of St Martins, St Agnes or Bryher. This is because the Duchy of Cornwall consider it inappropriate to identify specific sites given the small scale of these islands. It is likely that housing demand on the off-islands would be assessed as the opportunity or need arises. Furthermore the 2016 SHMA did not breakdown the housing need by island and as such it is difficult to precisely identify the housing needs of each island.’ Consequently it is considered appropriate to cater for housing needs outside of St Mary’s on a windfall basis only.

2.9.2 The plan sets out at paragraph 285-287 the circumstances where new homes would be acceptable on the off islands.

2.10 Is there sufficient clarity as to what are the “minimum range of internal space standards” referred to in policies LC8 and LC9?

2.10.1 The Policy refers to minimum range, on the basis that homes can be occupied by different numbers of residents. For example a 3 bedroom, 2 storey dwelling could be occupied by 4, 5 or 6 people and reference to the range is reflecting this i.e. 84-102 square metres. Space standards generally are responded to under question 2.6 above.

2.11 Is it justified and effective not to set a formal housing requirement figure in the plan against which a 5 year supply of housing can be assessed?



2.11.1 A 5 year housing land supply is to be based on the LHN figure. The “official” version of this for the Isles of Scilly is zero, due to negative household projections. The Council have taken steps to ensure that there is positive housing growth on the islands to reflect need, affordability and recent de-population and risks to key workers and services.

2.11.2 Any formal housing target used to set against 5 year supply would be derived from proxy available data not the official data that CLG sets out as forming the LHN calculation.

<https://www.gov.uk/guidance/housing-supply-and-delivery#housing-delivery-test>

2.11.3 Note the Housing Delivery Test: 2018 Measurement 2018 sets out for the Isles of Scilly.

Area Name		Isles of Scilly
Number of homes required	2015-16	-8
	2016-17	-7
	2017-18	-5
Total number of homes required		0
Number of homes delivered	2015-16	2
	2016-17	1
	2017-18	0
Total number of homes delivered		3
Housing Delivery Test: 2018 measurement		NA
Housing Delivery Test: 2018 consequence		None

<https://www.gov.uk/government/publications/housing-delivery-test-2018-measurement>

2.11.4 The Housing Delivery Test converts the negative household projections in a negative homes required.

2.11.5 Clearly delivery is realistically unlikely to meet the nominal 7 a year (108 LHN) figure until at least 2022/3, and is dependent on the delivery of key housing allocation sites.

2.11.6 It would not seem appropriate for the housing delivery test ‘consequence’ to be applied as a result of the Council attempting to boost the provision and supply of dwellings and have a positive housing requirement, especially with the context of the challenges of both build costs, public subsidy and land ownership.

2.11.7 We would welcome a discussion with the Inspector as to the best way to address this issue in the Plan.



2.12 Taking account of likely constraints are the housing sites allocated in the plan (H1 – H8) justified and developable during the plan period? Have they been selected against alternatives through a robust, consistent and objective process? Are the policy requirements for each site justified and are any modifications to them necessary for the plan to be sound?

2.12.1 The SHLAA¹² (EB025) was the main tool used to select sites. EB024 (housing Topic Paper) summarises the approach taken by the SHLAA in paragraphs 55-59.

2.12.2 Of particular relevance is Para 55 (part) which states ‘The site assessment sheets that form the 2016 SHLAA include 23 sites on St Mary’s and 4 sites on Tresco. All sites have been the subject of site visits as well as desk-top investigations to determine all potential constraints.’

2.12.3 Para 56 (part) also states ‘The SHLAA identifies a number of sites that would not be deliverable over the plan period. Including those with known constraints and those that are considered to be in relatively unsustainable locations. The potential sites identified as deliverable could achieve a minimum of 153 homes, at modest densities, over the plan period.’

2.12.3 Para 57 states ‘Whilst the breakdown of each of the 5-year brackets does not reflect the size of the sites, it does reflect a sequential approach to identifying sustainable sites, with Hugh Town and Old Town being considered more sustainable places to develop than those sites further north on St Mary’s. For the Isles of Scilly this method is considered to be the most reasonable approach in understanding a housing land supply.’

2.12.4 Para 58 states ‘What is apparent from the SHLAA is that no sites were submitted on the off-islands of St Martins, St Agnes or Bryher. This is because the Duchy of Cornwall consider it inappropriate to identify specific sites given the small scale of these islands. It is likely that housing demand on the off-islands would be assessed as the opportunity or need arises. Furthermore the SHMA did not breakdown the housing need by island and as such it is difficult to precisely identify the housing needs of each island. Consequently it is considered appropriate to cater for housing needs outside of St Mary’s on a windfall basis only.’

2.12.5 Out of all the sites considered, 8 sites on St Mary’s were allocated in the plan and were consulted on during Reg. 18 and Reg. 19.

2.12.6 The HRA Screening and AA concluded no likely significant effect as a result of the scale and location of housing proposed.

2.12.7 The policy requirements for the allocated sites are considered to be justified. Clearly more detailed site specific assessments will emerge as part of both preparatory work, funding appraisals and ultimately planning application. This detail of any justifiable variations can be dealt with through the application process, as well as developing technical preparatory work.

¹² <https://www.scilly.gov.uk/sites/default/files/planning-apps/SHLAA%20Methodology%20and%20Site%20Assessments%20FINAL%20Mar%202017.pdf>



2.13 Does the approach to housing provision ensure:

- a) adequate protection of habitats/biodiversity including from recreational pressure from residents?
- b) that the necessary supporting infrastructure (including water/sewerage) will be provided at the appropriate time?

In relation to bullet a)

2.13.1 In essence the answer is yes, as the plan is not about growth but sustainability of islands in the long term, through provision of affordable housing and preventing population decline and the ‘hollowing-out’ of working age population.

In relation to bullet b)

2.13.2 In terms of infrastructure, the Infrastructure Capacity Assessment Topic paper (EB038) references the already committed investment into the islands infrastructure (para 103) which will take place regardless of whether any new homes are delivered through the plan period. The scale and number proposed is not significant to require any additional infrastructure improvements or investments over the plan period, over and above these commitments.

2.14 What is the justification for a review of the indicative affordable housing need figure by 31 December 2020, set out in policy MI-LC1, given that this is likely be only a matter of months after adoption of the plan? If the figure is potentially not up to date, should it not be reviewed prior to adoption of the plan? Should the policy’s references to paragraphs 256 and 6.32 of the plan instead be to paragraph 257?

2.14.1 This date is based on the fact that the 2016 SHMA (EB026) advised an update on the data should take place in 2019 but given that the plan was not submitted for examination until September 2019, it is unlikely that a review of the evidence would be required by end of 2020. On this basis and as the Council have sought to update the SHMA in line with the LHN calculation in 2019, amendments to this monitoring requirement is considered appropriate and a review would be appropriate following the approval of one or more of the sites allocated for housing.

2.15 Are policies LC1 – LC10 and MI-LC1 otherwise justified and effective?

2.15.1 Yes, based on the alternatives considered, including the negative population projections and population decline considered in the 2016 SHMA (EB026), based on the housing sites considered in the SHLAA (EB025). Control over sizes and scale is considered justified on the basis of protecting both landscape harm but also to retain housing stock. The monitoring of the policies, which is set out in the plan and being developed for a new AMR, once the plan is adopted. Any policies where it becomes apparent that they are not being effective will be reviewed within the first five years, as required. None of the policies were subject to significant objections that have not already been resolved (including SoCG with Natural England and clarification over the issue of recreational pressure).