

RE THE ISLAND PLANNING STRATEGY LOCAL PLAN

FURTHER ADVICE (3)

SUMMARY

1. I am asked to advise Isle of Wight Council (“the Council”) whether the recently published revised National Planning Policy Framework (“the revised NPPF”), which was issued on 19 December 2023, would justify the Council changing the approach hitherto taken to the identification of its local housing need (“LHN”), which informs the assessment of the housing requirement which is proposed in the draft Island Planning Strategy Local Plan (“the IPS”).
2. I consider that there is not at present any evidential basis that would justify a change of approach. I also consider it is unlikely that, even if a different approach were to be adopted, it would materially change the LHN or provide a basis for changing the proposed housing requirement. However, it would be prudent to seek the preliminary views of an experienced demographer on the likely scale of the Council’s LHN if it were to be calculated without use of the Standard Method promoted in the revised NPPF but in a manner which also reflected current and future demographic trends and market signals and took account of past under delivery.

RELEVANT CONTEXT

3. Much of the background remains as discussed in my Further Advice (2) dated 24 October 2022, and is not therefore repeated.
4. The IPS remains in preparation and an updated version has been prepared which is ready to be published in accordance with Regulation 19 of the Local Planning (England) Regulations 2012 (SI 2012/767) for representations to be

made, prior to its submission to the Planning Inspectorate for independent examination.

5. The updated IPS maintains a 15 year plan period of 2022 to 2037.¹ It now proposes a housing requirement of 6,795 net additional dwellings over that period, which equates to an annual average of 453 dwellings per annum (“dpa”). These figures differ from those in the IPS as considered in my Further Advice (2), where they were 7,185 and 479 dpa respectively. The rationale for the reduction is indicated to be the results of a further year of monitoring of housing delivery. The IPS continues to maintain (at para 7.5) that the annual average (now 453 dpa) is “*at the upper limits of what is deliverable by the island housing market across the whole plan period*”, whilst recognising that it is a figure below the objectively assessed LHN calculated in accordance with the Standard Method described in the NPPF and in the related Planning Practice Guidance (“PPG”).

6. The IPS does not set out the LHN figure derived in accordance with the Standard Method. At the time of my Further Advice (2) the annual LHN was 730 dpa, of which 199 dpa was accounted for by the affordability uplift to reflect the poor relationship between median earnings and median dwelling prices on the Island. Using the most recently available inputs for the Standard Method, the annual LHN figure, if assessed using 2023 as the “*current year*” in line with the PPG, would be 699 dpa, of which 173 dpa would be the result of the affordability uplift. If the assessment used 2024 as the “*current year*”, the annual LHN figure would fall slightly to 687 dpa, of which 170 dpa would be the result of the affordability uplift.² The demographic component of the LHN figure (i.e. the figure derived from the 2014-based household projections for the Island and prior to any affordability uplift) is 526 dpa (for 2023) and 517 dpa (for 2024).

¹ Since the IPS is unlikely to be adopted before 2025, this means that it will not have a minimum 15 year plan period for its strategic policies at the point of adoption, which will be a departure from the advice at para 22 of the NPPF. The Council should consider whether it would be practical to extend the plan period to 2039 or 2040, having regard to the implications of so doing, including any need to update the Sustainability Appraisal and other parts of the evidence base.

² A LHN figure calculated for 2024 would potentially change once the 2023 affordability ratio data is published, which may be in March/April 2024.

7. On either basis, the housing requirement figure of 453 dpa (in Policy H1 of the IPS) is well below the LHN calculated in accordance with the Standard Method (being 35% or 34% below the annual LHN, depending on whether 2023 or 2024 data is used for the “current year”). It is also below the demographic component of the LHN in both cases, albeit the difference is smaller.

8. There are various revisions to the NPPF in the December 2023 updated version (as compared to the September 2023 version). Key elements in Chapter 5 on “*Delivering a sufficient supply of homes*” that are different include:

“The overall aim should be to meet as much of an area’s identified housing need as possible, including with an appropriate mix of housing types for the local community”

(added to para 60)

“The outcome of the standard method is an advisory starting point for establishing a housing requirement for an area (see paragraph 67 below). There may be exceptional circumstances, including relating to the particular demographic characteristics of an area ²⁵ which justify using an alternative approach to assessing housing need; in which case the alternative approach should also reflect current and future demographic trends and market signals”.

(added to para 61)

Footnote 25 in para 61 (which did not feature in the consultation version of the draft revisions to the NPPF published in December 2022, although a similar point about islands with elderly populations was made in the accompanying consultation explanatory text) states:

“Such particular demographic characteristics could, for example, include areas that are islands with no land bridge that have a significant proportion of elderly residents.”

9. The cross-reference in para 61 of the revised NPPF to para 67 is new. Whilst much of that guidance is unchanged, there is an addition to para 67 (previously para 66) which is:

“The requirement may be higher than the identified housing need if, for example, it includes provision for neighbouring areas, or reflects growth ambitions linked to economic development or infrastructure investment.”

10. This new advice reflects guidance that is already set out in the PPG (at para ID2a-10-20201216). There is no similar guidance in the revised NPPF on what factors might justify a housing requirement that is lower than the identified housing need. However, the PPG does advise (at para ID2a-015-20190220):

“Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method. This will be tested at examination.”

11. On 19 December 2023 the Government published its Response to the NPPF consultation (“the Government Response”). This provides some further commentary on the NPPF revisions. It does not provide any greater explanation of footnote 25 than is apparent from the terms of the footnote itself. The Government Response does, however, state (in comments on Question 8) that:

“These changes are designed to remove ambiguity from existing policy and clarify what is meant by exceptional circumstances, including a non-

exhaustive list of examples, and how the outcomes of the standard method should be considered when establishing housing requirements. We intend to revise supporting guidance to provide further clarity in due course.”

12. This indicates that the example given of what might be “*exceptional circumstances*” is non-exhaustive and that “*supporting guidance*” (presumably in the PPG) to give “*further clarity*” will be provided “*in due course*”. At present, the PPG has not yet been updated.
13. The Government Response also indicates (in comments on Question 7) that the ONS now does not expect to publish its household projections based on the Census 2021 data until 2025. The Response states that any review by Government of the continued use of the 2014-based household projections within the Standard Method will await the availability of the 2021-based household projections.

ASSESSMENT

14. At the outset it is worth keeping in mind that the LHN, whether assessed using the Standard Method or assessed by an alternative approach, does not determine the housing requirement but is one factor that informs the housing requirement for an area. The LHN is to be assessed separately from the exercise of determining (via the housing requirement) what level of housing should be provided for in the IPS. The new addition to para 60 of the revised NPPF helps to make the distinction between the two concepts clear when it advises that “*the overall aim [of planning for housing] should be to meet as much of an area’s identified housing need as possible*”. The housing requirement of a local plan is the mechanism which is to be used to meet housing needs as far as it is possible to do so.
15. The use of the Standard Method to identify LHN is not mandatory (and never has been) but exceptions to it, using an “*alternative approach*”, have to be “*justified*”, as set out in para 61 of the revised NPPF. Such a justification could comprise or include “*circumstances ... relating to the particular demographic*

characteristics of an area” and footnote 25 indicates that these might include “*areas that are islands with no land bridge that have a significant proportion of elderly residents.*”

16. At first sight, this footnote would appear to embrace both the Island and the Isles of Scilly because they are the only UK islands that are part of England (which is the administrative area covered by the policies of the NPPF) which are also plan-making local planning authorities which are expected to identify a LHN for their areas. The Channel Islands, Anglesey, and the Isle of Man are not in England and are not subject to the NPPF. The Island and the Scilly Isles are also islands lacking a land bridge to the mainland (unlike Hayling Island, which is part of Havant district, and the Isle of Portland, which is part of Dorset Council’s area).

17. It is also the case that the Island has a “*significant proportion of elderly residents*” when compared to England, the South East, or Hampshire (excluding the unitary areas of Southampton and Portsmouth). According to Census 2021 data, some 29.2% of the Island’s population was aged 65 or more. That compares to 18.3% for England, 19.4% for the South East, and 21.7% for Hampshire.³

18. However, it is then necessary to consider what these factors are likely to mean for the assessment of housing need. Footnote 25 could have chosen to settle the question of whether islands such as the Island and the Scilly Isles were to be regarded as demonstrating “*exceptional circumstances*” by identifying them directly. However, the language chosen is consciously more circumspect:

“There may be exceptional circumstances...which justify an alternative approach... such particular demographic characteristics could, for example, include...”

³ See NOMIS Table TS007 Age By Single Year, 5YR%, from Census 2021.

19. In other words, it is not enough for an area to be an island (lacking a land bridge) with a significant proportion of elderly residents, it is necessary to understand why these factors “*justify*” departing from the Standard Method and using an alternative approach to assess LHN. Dealing first with the island factor, in housing needs terms, the severance caused by an area being an island without the ease of access/connectivity of a land bridge is likely to influence migration patterns, both to and from the island in question. However, such migration patterns are already included in the sub-national population projections which are used in the household projections for each area in the Standard Method. I am not aware of anything that suggests that the migration patterns for islands in the sub-national population projections are at variance with actual trends. Nor is there anything, so far as I am aware, in relation to the migration patterns for the Island in those projections to suggest that they are at variance with reality. Nor is there anything in the revised NPPF to suggest that the housing needs for islands should be assessed without regard to evidence of migration patterns.

20. In terms of the age structure of the Island’s population, the greater numbers of elderly persons could influence household formation rates, the size of the working population, the numbers of single person households, and (potentially) the income levels of different sectors of the population. However, these factors would also be reflected in the Standard Method, in the sub-national population projections, the household projections, and the affordability uplift. Other than the fact that the Standard Method relies on 2014-based household projections rather than on more up to date data (for reasons explained by the Government in its NPPF consultation), it is hard to see how the age structure of the Island’s population is not accounted for in the Standard Method.

21. It is not, therefore, easy to see why these two factors, without more, would provide a coherent justification for departing from the Standard Method. However, on a matter such as this, which is primarily concerned with the demographic consequences of the factors identified in footnote 25 of the revised NPPF for housing needs of the Island, it would be worth seeking the

preliminary views of an experienced demographer. The demographer should, in the first instance, be asked to comment on whether the factors identified in footnote 25 are likely to have demographic consequences for the scale of housing need that could not be said to be realistically reflected in the various inputs which are used in the Standard Method.

22. Even assuming that this is the case, and that there is a credible argument for promoting the use of an alternative approach as a better measure of the scale of LHN for the Island than would arise from use of the Standard Method, it is then necessary to consider what para 61 of the revised NPPF expects any such alternative approach to achieve. The guidance in para 61 of the revised NPPF is that, where there are exceptional circumstances which justify departing from the Standard Method, then *“the alternative method should also reflect current and future demographic trends and market signals.”*

23. Current and future demographic trends will include the age structure of the Island’s population, household formation rates, and patterns of migration. Market signals will include matters such as the local relationships between income levels and housing costs (whether homes to rent or homes to purchase). Levels of unmet affordable housing need would also be a factor relevant to market signals.

24. In addition, the PPG makes it clear that where the Standard Method is not used to identify the LHN, any alternative approach will need to take account of *“past under delivery”* of new homes: see para ID2a-011-20190220 of the PPG. This does not need to be done under the Standard Method because it includes the affordability uplift in part to respond to the effects of such under delivery. Undoubtedly, the Island has experienced past under delivery when compared to the housing requirement set out in the current Island Plan Core Strategy (520 dpa). According to the most recent Housing Delivery Test results (published by the Government on 19 December 2023), the housing completions on the Island were 253 for 2019/20, 411 for 2020/21, and 481 for 2021/22, and it is clear that the pattern of under delivery has persisted for much more than the last 3 years. An alternative approach to the Standard

Method would need to make some allowance in its calculation of LHN to reflect this under delivery.

25. Information on these matters would be a matter to be considered by an experienced demographer, using existing published data sources, and noting that there are currently limits to the level of detail available from Census 2021 data and no expectation of 2021-based household projections until 2025. A demographer should, however, be asked to give some preliminary views as to whether, given the available data sources, any of these factors would be likely, if they were to reflect current and future demographic trends and market signals as required by para 61 of the revised NPPF and to account for past under delivery as required by the PPG, to provide a LHN figure that was markedly different to that which results from the use of the Standard Method. Even if there was likely to be such a marked difference, the demographer should also be asked to express a preliminary view on whether such an alternative figure would be likely to be at or below the housing requirement currently identified in the IPS.
26. Only if the demographer's preliminary views are that there is currently available data which suggests that a LHN, identified by using an alternative approach which reflects current and future demographic trends and market signals and past under delivery, would be likely to be at a level of around 450 dpa or less would it be worthwhile to consider pausing progress on the IPS so as to allow a more detailed study to be undertaken using that alternative approach and a robust validation of its data and assumptions.
27. I have seen no evidence that would suggest that any robust alternative approach would produce a LHN that was much different to the figure that derives from use of the Standard Method and certainly nothing that would be likely to identify a LHN figure of around 450 dpa or less. I therefore do not consider that the new guidance in the revised NPPF justifies a change in the Council's current approach, which focuses on deliverability as the key constraint in setting its housing requirement below the level of LHN rather than seeking to argue that there are exceptional circumstances to justify a

markedly lower level of LHN. However, it would be prudent to seek the preliminary views of an experienced demographer on the evidential issues that arise, as discussed above, before a final decision is made on the publication of the IPS for representations under Regulation 19 of the LPER 2012.

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FURTHER ADVICE (3)

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