Lambert Smith Hampton

PLANNING, REGENERATION + INFRASTRUCTURE

HOUSING NEED ALTERNATIVE METHOD

ADVICE NOTE

ISLE OF WIGHT COUNCIL

FEBRUARY 2024

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Inspection Date: 15/02/24

Report Issue Date: 15/02/24

This document has been prepared and checked in accordance with the Lambert Smith Hampton Quality Assurance procedures and authorised for release.

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For and on behalf of Lambert Smith Hampton

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1.0 EXECUTIVE SUMMARY

1.1.1 In December 2023 the Government published the revised National Planning Policy Framework ("the NPPF"). This included adjustments as regards the circumstances in which it may be appropriate for councils to deviate from the standard method for arriving at their local housing need figure ("LHNF").

1.1.2 Essentially, where these circumstances can be shown to be exceptional (such as unusual demographic characteristics) a council may use an "alternative method" to the standard method. While this does not represent a change to the previous iteration of the NPPF, an additional footnote (25) was included. This footnote reads:

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

1.1.4 In light of these revisions to the NPPF, the Isle of Wight Council ("IOWC" or "the Council") instructed Lambert Smith Hampton to provide advice, firstly, on whether such circumstances exists on the Island and, secondly, whether a figure derived from an alternative method would differ significantly from the figure the Council proposes to adopt as their housing target in the current iteration of their emerging local plan.

1.1.5 National policy states that exceptional circumstances in this regard should be evidenced by demographic trends and market signals.

1.2 DEMOGRAPHIC TRENDS

1.2.1 The overall conclusion arrived at in this report is that relevant demographic trends do not indicate the circumstances on the island are exceptional, notwithstanding its position as an island.

1.2.2 The Isle of Wight does have an older population age structure, but this is not exceptional. There are six local authorities in England with an older population. For example, in 2022, North Norfolk had the greatest proportion of people aged 65+ at 33.8% of all local authorities in England, whereas the Isle of Wight had 29.8%.

1.2.3 The data used to construct the 2014-based sub-national population projections ("2014-based SNPP") looks to be sound despite subsequent revisions made by the Office for National Statistics ("ONS"). These are set out in the table below.

1.2.4 The data suggest the 2014-based SNPP slightly under-estimated population growth, however the differences are sufficiently minor not to impact on their robustness for the purposes of determining housing need.

Table 1. Original & Revised Estimate of Population in 2014

Area	Original estimate	Revised estimate	Difference
Isle of Wight	139,105	139,332	227

Source: ONS

1.2.5 Also, population growth shown by the Census 2021 is lower than had been projected in the 2014-based SNPP by a margin of 5.8%. This could point to an exceptional circumstance (i.e., the projections driving the standard method being too high).

1.2.6 However, other data indicates the Census 2021 did not fully capture growth in the 2011-21 period. For example, a comparison of mid-year population estimates ("MYE") and the Patient Register ("PR")[1] for the Isle of Wight (as set out in the table below) shows a very similar level of growth (4,140 people for the PR as against 3,890 for the MYE, a variation of 0.1%).

Figure 1. Population growth 2011-2020 MYE and Patient's Register

Metric	2011	2020	growth	change
MYE	138,440	142,330	3,890	2.8%
PR	141,220	145,360	4,140	2.9%

Source: ONS, Population estimates: quality information

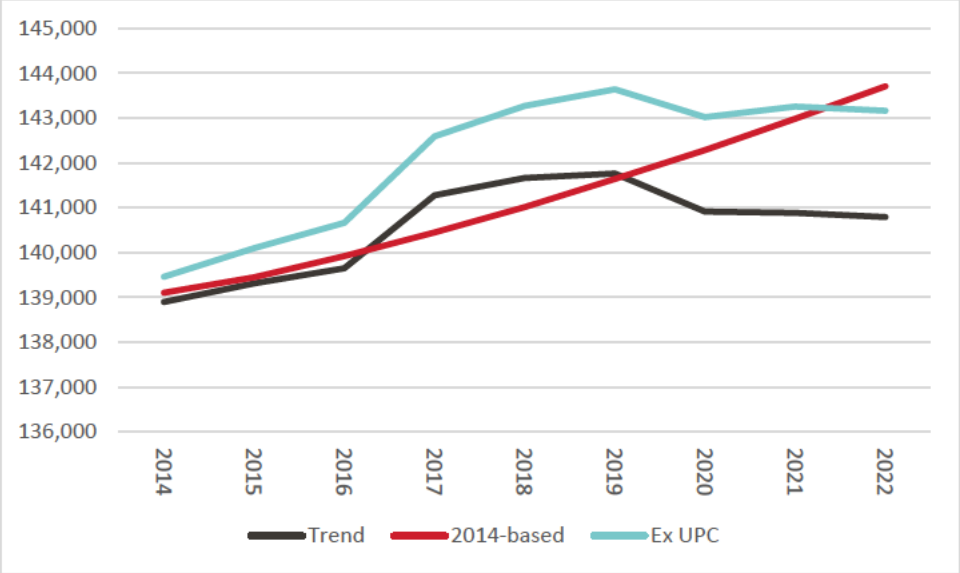
1.2.7 An analysis of the components of population change indicates that domestic migration is the main driver of growth on the island. Furthermore, there has been a notable negative level of "unattributable population change"[2] ("UPC") over the period 2011-2021 (around 2,400 people).

1.2.8 While this may suggest that the ONS had previously over-estimated population change, the method they use to produce population projections uses unadjusted data (i.e., excluding adjustments that would take UPC data into account).

1.2.9 The figure below shows how this data translates into a time-series of population growth, with MYE data both including and excluding UPC. For the measure excluding UPC (i.e., not taking into account the resulting fall in population associated with the UPC adjustment) it can be seen there is some difference in the 'trajectory' of population growth but the start and end points are broadly similar.

[1] The PR measures the number of patients registered at NHS GP surgeries.
[2] This is a correction made by ONS upon publication of Census data where the population has been under- or over-estimated (this is only calculated for the 2011-21 period)

Table 2. Population trends and as projection in 2014-SNPP – Isle of Wight



Source: ONS, 2014-based SNPP, Analysis of population estimates

1.2.10 It is worth noting that the components of population change (births, deaths and migration) have changed since 2014. However, the general direction of changes on the Island (lower natural change and higher migration) almost exactly match changes nationally and are not exceptional.

1.2.11 As with population, as set out in the table below, growth in households shown by the Census is below the level projected in the 2014-based projections. However, this pattern is very similar as seen nationally.

Table 3. Estimated Households in 2011 and 2021

Area	Metric	2011	2021	Change	% change
Isle of Wight	2014-based SNHP	61,187	65,609	4,422	7.20%
	Census	61,085	64,778	3,693	6.00%
South East	2014-based SNHP	3,563,050	3,946,235	383,185	10.80%
	Census	3,555,463	3,807,966	252,503	7.10%
England	2014-based SNHP	22,103,878	24,371,273	2,267,395	10.30%
	Census	22,063,368	23,436,085	1,372,717	6.20%

Source: ONS, 2014-based SNHP; Census 2011 and 2021

1.3 Market signals

1.3.1 In addition to demographic evidence, exceptional circumstances should also be demonstrated by market signals, for example house prices and affordability. This advice note gathers data relating to the Isle of Wight together with South East region and England to test whether market conditions could be said to be exceptional on the Island.

1.3.2 Market signals can also provide an indication of the balance between supply and demand within the local housing market and, therefore, whether the supply of land for housing should be strengthened (excess demand) or relaxed (excess supply).

1.3.3 Gathered together, the market signals indicate that the Isle of Wight, while being a relatively affordable area (when considering house prices and rents) when compared with elsewhere in the South East region, is not exceptional in that trends are broadly similar to those at the regional and national level. Key findings are,

- While the area has low house prices compared with most other parts of South East and England, possibly a result of its relative remoteness, it is not an outlier, nor is it the most affordable place, with Portsmouth, Gosport and Southampton all with lower average house prices.
- In terms of affordability, the evidence indicates that, since the great financial crisis of 2009-10, affordability on the island has broadly tracked that of England, rising from an affordability ratio of around 7 in 2008 (for both geographies) to 9.27 and 8.28 for the Island and England respectively in 2022.
- Data relating to housing delivery shows the three geographies to be in very close alignment. This translates into a compound annual growth rate ("CAGR") of homes for Isle of Wight, the South East region and England over the period 2001/2 to 2022/23 of 0.87%, 0.88% and 0.83% respectively. This again reinforces the sense that the Island is not an outlier in terms of its local housing market, but rather has marked similarities with England as a whole.

1.3.4 This advice note concludes that, on the basis of a careful consideration of the demographic and market signals evidence gathered, the exceptional circumstances do not exist that would justify a departure from the standard method.

1.3.5 Moreover, the Council's evidence identifies a standard method-based LHNF of 667 dpa[3]. This is substantially higher than the number that currently appears in IOWC's emerging Local Plan, the Island Planning Strategy ("IPS") of 453 dwellings per year.

1.3.6 While the Council is entitled to seek a housing requirement figure that is less than the standard method on the basis of legitimate constraints to development set out in national policy, the LHNF is an unconstrained expression of need.

1.3.7 Given that the 2014-based SNPP provides a robust demographic basis to inform the Island's local housing need, an alternative method is likely to result in a figure that is broadly aligned with that of the standard method.

1.3.8 That said, on account of the need to allow for past under delivery of homes and market signals, it is a high probability it will result in a figure that is in excess of the standard method, rather than below it.

[3] Isle of Wight Local Housing Needs Assessment, May 2022, page 77

2.0 INTRODUCTION

2.1 PURPOSE

2.1.1 In December 2023 the Government published the revised National Planning Policy Framework ("the NPPF"). This included clarification as regards the circumstances in which it may be appropriate for councils to deviate from the standard method for arriving at their local housing need figure ("LHNF").

2.1.2 Paragraph 61 of the current version of the NPPF states that,

2.1.3 "There may be exceptional circumstances, including relating to the particular demographic characteristics of an area which justify an alternative approach to assessing housing need; in which case the alternative approach should also reflect current and future demographic trends and market signals. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for"

2.1.4 Footnote 25 to paragraph 61 states that,

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

2.1.6 It is worth noting that, at the time of writing, relevant Planning Practice Guidance ("PPG") has not yet been updated to reflect the revised NPPF.

2.1.7 That said, PPG is clear that the standard method is not mandatory[4]. However, where an alternative method has been used to arrive at a LHNF that is lower than that which is produced by the standard method, it will be carefully scrutinised at examination.

2.1.8 Also, while in the standard method past under delivery of housing is addressed as part of the "affordability uplift", an alternative method to arrive at LHNF should take it into account[5].

[4] PPG (Housing and economic needs assessment) Ref ID: 2a-003
[5] PPG (Housing and economic needs assessment) Ref ID: 2a-011

2.1.10 This report gathers together the necessary evidence to provide guidance as to whether, firstly, "exceptional circumstances" can be said to exist on the Island that would support the use of an alternative method and, secondly, were it to be justified, whether a LHNF resulting from it would be significantly at variance with the number that currently appears in the Isle of Wight Council's ("IOWC") emerging Local Plan, the Island Planning Strategy ("IPS"). This is an average of 486 dwellings per year.[6]

2.1.11 Moreover, the structure of this report addresses the points raised by Michael Bedford KC in his advice to advice to the Council dated 27th December 2023 as follows,

2.1.12 "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."[7]

2.1.13 Also, [the demographer] "should 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."[8]

2.2 REPORT STRUCTURE

2.2.1 This report is divided into three chapters

Chapter 3 – demographic basis

2.2.2 Chapter 3 investigates whether exceptional circumstances exist on the basis of demographic evidence, focusing specifically on the attributes described in footnote 25. It provides an assessment of the robustness of the demographic data on which the 2014-based SNPP are based with reference to most recent evidence, past population growth and the components of population change.

[6] IPS, page 129
[7] Michael Bedford KC, Re The Island Planning Strategy Local Plan 27th December 2023 para 21
[8] Ibid, para 25

Chapter 4 – market signals

2.2.3 Chapter 4 provides an analysis of a range of market signals, including

- house prices and rents;
- affordability;
- levels of overcrowding;
- past trends in housing delivery; and
- levels of unmet affordable housing need.

2.2.4 To investigate, firstly, an empirical assessment as to balance between supply and demand and, secondly, whether the Island exhibits unusual dynamics within its housing market that point to exceptional circumstances.

Chapter 5 – conclusions

2.2.5 The evidence gathered will establish whether demographic and market signals evidence supports the proposition of an "alternative method" (i.e., whether exceptional circumstances can be said to exist) and, secondly, whether this method would produce a LHNF that is significantly different to the figure derived from the standard method and the housing requirement currently identified in the IPS.

3.0 DEMOGRAPHIC BASIS

3.1 INTRODUCTION

3.1.1 This chapter reviews a range of data to test if there is a demographic case that exceptional circumstances exist on the Isle of Wight such that a lower, or higher, housing need estimate than driven by the Standard Method could be promoted.

3.1.2 As noted, the timing of the work has been driven by a new NPPF in December 2023 and in particular footnote 25 of this document which appears to be specific to the Isle of Wight.

3.1.3 As an initial thought, it is difficult to see why specifically being an island with no land bridge would lead to an exceptional circumstance in demographic terms. The Isle of Wight is not a new island and so the circumstances existing in 2014 (the base date of projections used in the Standard Method) continue to exist today – for example in terms of the extent to which being an island is a barrier to migration.

3.1.4 It is, however, the case that the Isle of Wight does have a high proportion of elderly residents. As the table below shows, the Island has 10% more residents aged 65+ than at the regional level.

Table 4. Proportion of people aged 65+ (Isle of Wight, South East and England) 2022

Area	All Ages	Aged 65+	% 65+
England	57,106,398	10,629,867	18.6%
South East	9,379,833	1,846,995	19.7%
Isle of Wight	140,794	41,756	29.7%

Source: ONS, population estimates

3.1.5 However, the situation is far from unique. As the table to follow illustrates, in 2022 the Island was not the most 'elderly' authority in the Country (out of 310 local authorities), with 7 mainland councils with greater proportions of their populations aged 65+.

Table 5. Ten most 'elderly' local authorities in England (2022)

Area	All Ages	Aged 65+	% 65+
North Norfolk	103,227	34,925	33.8%
Rother	94,162	30,717	32.6%
East Lindsey	144,415	44,236	30.6%
Dorset	383,274	115,068	30.0%
East Devon	154,500	46,252	29.9%
New Forest	175,942	52,503	29.8%
Isle of Wight	140,794	41,756	29.7%
Tendring	151,451	44,806	29.6%
Torridge	68,635	19,872	29.0%
West Devon	58,190	16,836	28.9%

Source: ONS, population estimates

3.1.6 The NPPF is supported by PPG which at the time of writing had not been updated to take account of the revisions introduced into the NPPF. The current PPG does not specifically set out examples of exceptional circumstances but it is considered that there are likely to be two main demographic considerations:

- firstly, that demographic data on which projections are based is demonstrably wrong and cannot realistically be used for trend-based projections on which the Standard Method is based; and
- Secondly, demographic trends have changed so much that it is unrealistic to use a set of projections based on information in a trend period to 2014, which is now over 8-years old.

3.1.7 The analysis below principally focuses on population projections as these are the main driver of household growth.

3.2 DATA USED IN THE 2014-BASED PROJECTIONS

3.2.1 In March 2018 ONS released revised population estimates for England and Wales: mid-2012 to mid-2016. The main justification ONS for this was that improvements had been made to international emigration and foreign armed forces dependents and that the distribution of people aged in their 20s and 30s had changed more than for other age groups.

3.2.2 By updating previous estimates of population change and migration (including in the period 2011-14) ONS were essentially changing the data used to underpin part of the 2014-based projections. It is therefore worthwhile seeing how significant these changes were for the Isle of Wight, in particular whether the 2014-based projections required substantial correction.

3.2.3 The table below shows estimated population in 2014 from the original and revised MYE. For the whole of the Island the revised population estimate for 2014 is slightly higher than for previous data (data used for

the 2014-SNPP). This would suggest the 2014-based projections slightly under-estimated population growth; however, the differences are sufficiently minor to not be expected to have a significant impact on the 2014-based projections.

Table 6. Original & Revised Estimate of Population in 2014

Area	Original estimate	Revised estimate	Difference
Isle of Wight	139,105	139,332	227

Source: ONS, revised population estimates, 2014-based SNPP

3.3 POPULATION TRENDS

3.3.1 The analysis below looks at population trends across the Island. Two main sources are initially used, these are:

- Unadjusted ONS mid-year population estimates (MYE); these are estimates of population made by ONS through its tracking of births, deaths and migration from 2021. This is an important source as the data contained within this data source (notably about migration) is likely to be used by ONS as part of the next round of population projections (2022-based SNPP); and
- Adjusted MYE taking account Census 2021; essentially, ONS use the Census (which dates from March 2021) and roll forward to the mid-year estimates based on births, deaths and migration in the 3 month period. The Census adjusted MYE replace the unadjusted figures as the ONS view of population in 2021.

3.3.2 From these sources there are only two consistent data points (2011 and 2021). Much of the analysis to follow therefore looks at trends in this 10-year period. It should, however, be noted that ONS has now published population estimates for 2022 which are discussed further later in this chapter.

3.3.3 Above it was noted that one exceptional circumstance might be that the 2014-based subnational household projections (SNHP) that underpin the Standard Method are clearly wrong. In this instance we are looking to consider if the trends that have actually occurred are substantially different from those projected back in 2014 and that this is locally exceptional.

3.3.4 One way of considering this is to compare data for 2021 with recently published Census data and also MYE data (prior to a Census adjustment). Comparisons are made for both population (as this underpins the household projections) and household estimates.

3.3.5 The table below shows population figures for 2011 and 2021 from these sources. The data shows the 2014-based projections had projected the population of the Island to reach 142,989 by 2021 and ONS in their monitoring of data had actually estimated a higher population figure (143,255). Following publication of the 2021 Census, ONS has revised downwards its estimate of population in 2021 to 140,885, a figure below the 2014-SNPP.

Table 7. Estimated Population in 2011 and 2021 -range of sources – Isle of Wight

Metric	2011	2021	Change	% change
2014-based SNPP/SNHP	138,392	142,989	4,597	3.3%
MYE (unadjusted)	138,392	143,255	4,863	3.5%
MYE (Census adjusted)	138,392	140,885	2,493	1.8%

Source: ONS, 2014-based SNPP, Analysis of population estimates

3.3.6 The Census has, therefore, shown a lower level of population growth between 2011 and 2021 than had previously been projected by the 2014-based SNPP. Arguably, this might mean the SNPP can be considered to overestimate population growth.

3.3.7 However, it is noteworthy that the ONS monitoring of data actually points to population growth in the decade as having been stronger. Moreover, it is this 'unadjusted' data that ONS would use when developing projections as it recognises that population change between the two Census dates could be due to errors in the Census.

3.3.8 In terms of testing which level of population growth is likely to be most realistic we can also draw on data from the Patient Register (PR). The PR measures the number of patients registered at NHS GP surgeries.

3.3.9 The table below presents MYE (unadjusted) and PR for the 2011-20 period (2020 is the most year for which PR data is available). This shows a very similar level of growth (4,140 people for the PR as against 3,890 for the MYE, a variation of 0.1%.

Figure 2. Population growth 2011-2020 MYE and Patient's Register

Metric	2011	2020	Growth	change
MYE	138,440	142,330	3,890	2.8%
PR	141,220	145,360	4,140	2.9%

Source: ONS, Population estimates: quality information

3.3.10 Although not definitive, analysis of the Patient Register does point to the ONS monitoring of population growth as being broadly reasonable.

3.4 Components of Population Change

3.4.1 The table below considers the drivers of population change from 2011 to 2022. The main components of change are natural change (births minus deaths) and net migration (internal/domestic and international).

3.4.2 There is also an Unattributable Population Change ("UPC"). This is a correction made by ONS upon publication of Census data where the population has been under- or over-estimated (this is only calculated for the 2011-21 period).

3.4.3 There are also 'other changes'. For the Isle of Wight these have been notable in some years and are often related to armed forces personnel, boarding school pupils or prison populations.

3.4.4 The data shows natural change, broadly speaking, to be dropping over time. There are significantly more deaths than births on the Island and migration is variable. It is clear from the data that migration, and particularly internal (domestic) migration, is the main driver of population growth on the Island.

3.4.5 The analysis also shows that, for the period 2011-21, there has been a notable negative level of UPC (totalling around 2,400 people over the 10-year period). This suggests that, when the 2021 Census was published, ONS had previously over-estimated population change. As stated earlier, this is an important point to note as ONS typically uses unadjusted data for the purposes of producing population projections (i.e., excluding adjustments that would see a fall in population estimates resulting from allowing for UPC).

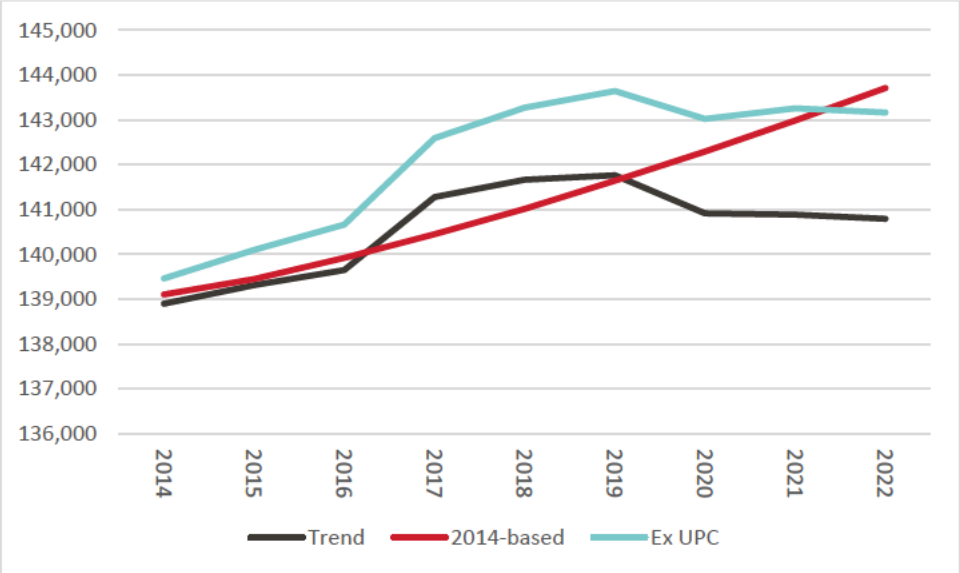
Table 8. Components of population change, mid-2011 to mid-2022 – Isle of Wight

Year	Natural change	Net internal migration	Net intern-ational migration	Other changes	Other (unattri-butable)	Total change
2011/12	-347	705	25	41	-184	240
2012/13	-614	628	51	-377	-174	-486
2013/14	-286	1,144	86	14	-205	753
2014/15	-464	1066	43	-4	-224	417
2015/16	-530	961	124	7	-228	334
2016/17	-635	2,574	-11	-2	-299	1,627
2017/18	-719	1,328	27	44	-292	388
2018/19	-670	1,114	-16	-56	-273	99
2019/20	-948	397	-89	17	-226	-849
2020/21	-1,051	1,666	2	-382	-265	-30
2021/22	-879	293	396	99	0	-91

Source: ONS, Analysis of population estimates

3.4.6 The figure below shows how this data translates into a time-series of population growth, with MYE data both including and excluding UPC. For the measure excluding UPC (i.e., not taking into account the resulting fall in population associated with the UPC adjustment) it can be seen there is some difference in the 'trajectory' of population growth but the start and end points are broadly similar.

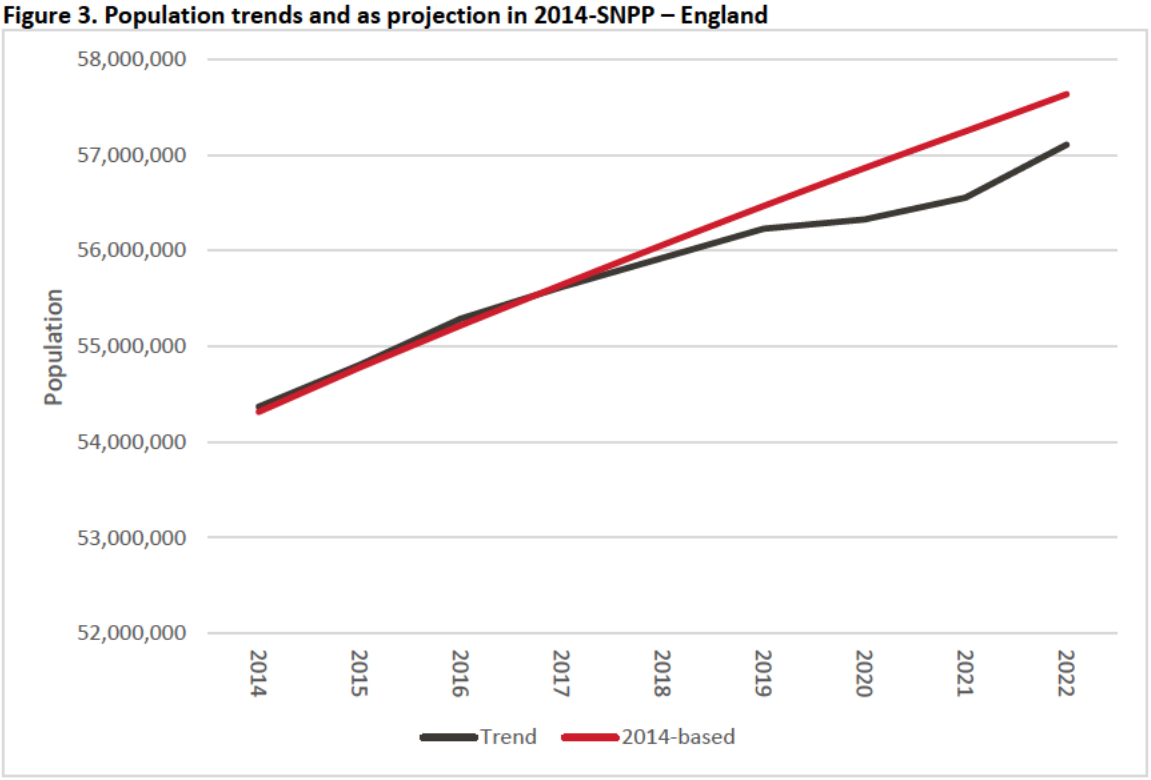
Table 9. Population trends and as projection in 2014-SNPP – Isle of Wight



Source: ONS, 2014-based SNPP, Analysis of population estimates

3.4.7 Arguably, population growth on the Island has been slightly below that which was projected in the 2014-based SNPP. However, interestingly, over the same period the population of England grew at a slightly slower rate than had been projected in the 2014-SNPP – further emphasising changes on the Island are not exceptional.

Figure 3. Population trends and as projection in 2014-SNPP – England

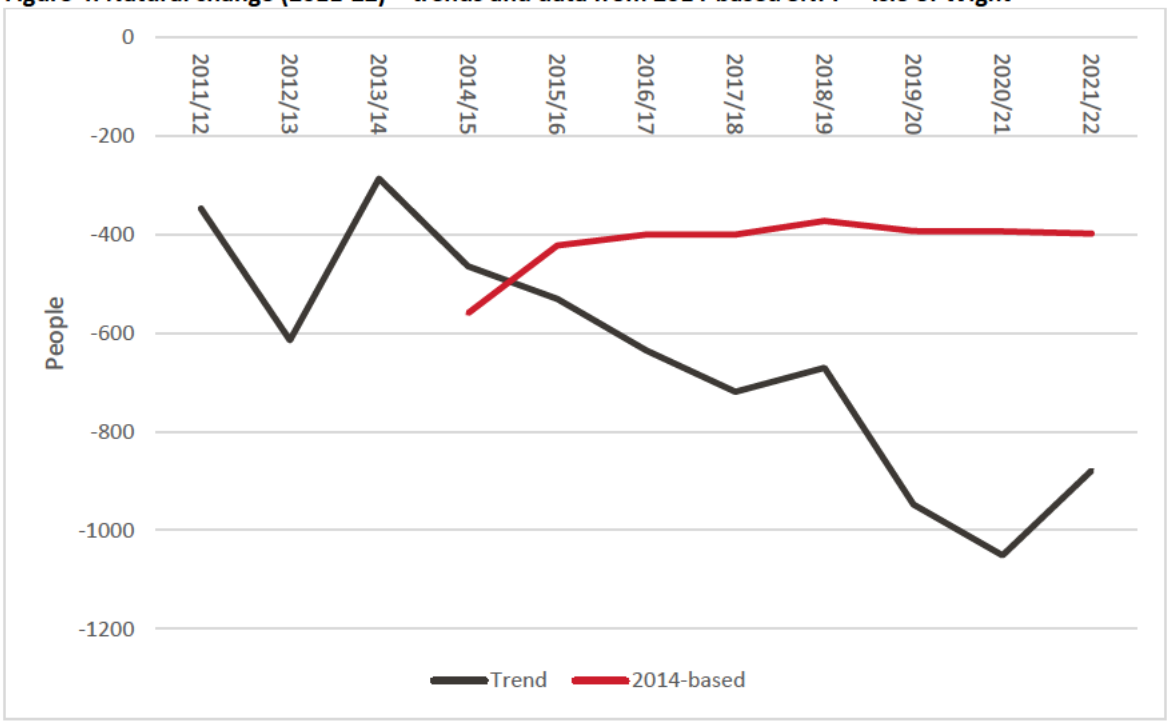


Source: ONS, 2014-based SNPP, Analysis of population estimates

3.4.8 As shown in the components of change, population growth is largely driven by natural change and net migration. Furthermore, it is possible to see how these have changed over time and how this compares with the 2014-based SNPP.

3.4.9 The figure below shows natural change (births minus deaths); this can be seen to be falling rapidly over time. The 2014-based projections did not, however, pick up this trend.

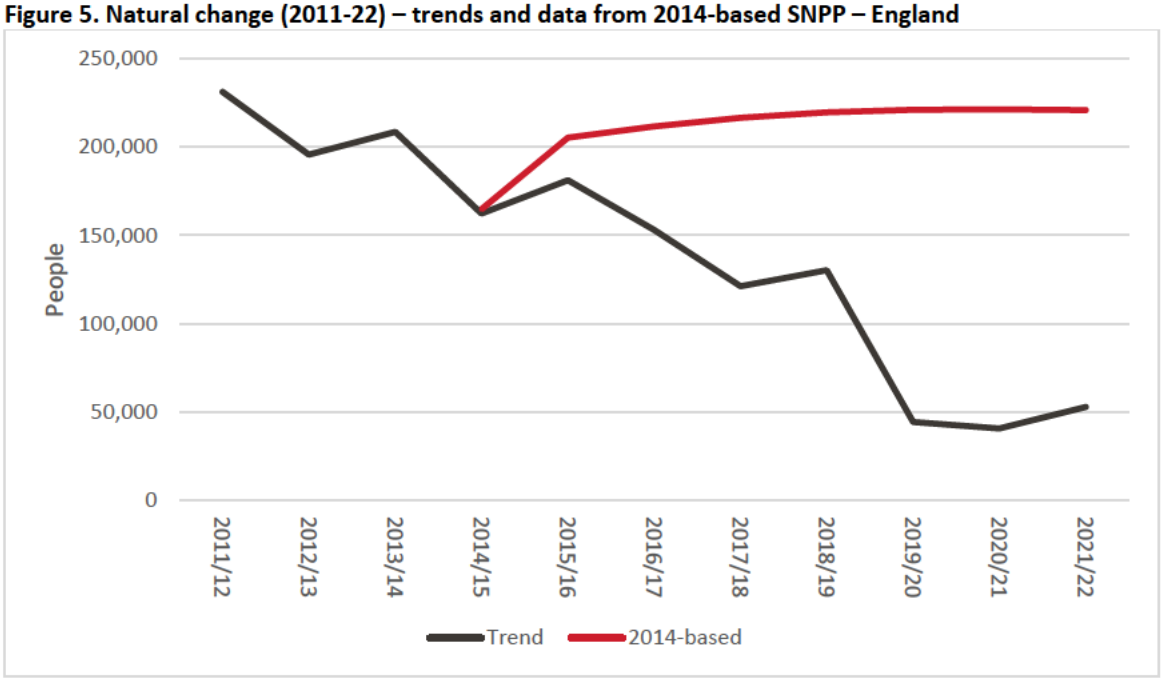
Figure 4. Natural change (2011-22) – trends and data from 2014-based SNPP – Isle of Wight



Source: ONS, 2014-based SNPP, Analysis of population estimates

3.4.10 That said, this is not exceptional as a virtually identical pattern can be seen for England.

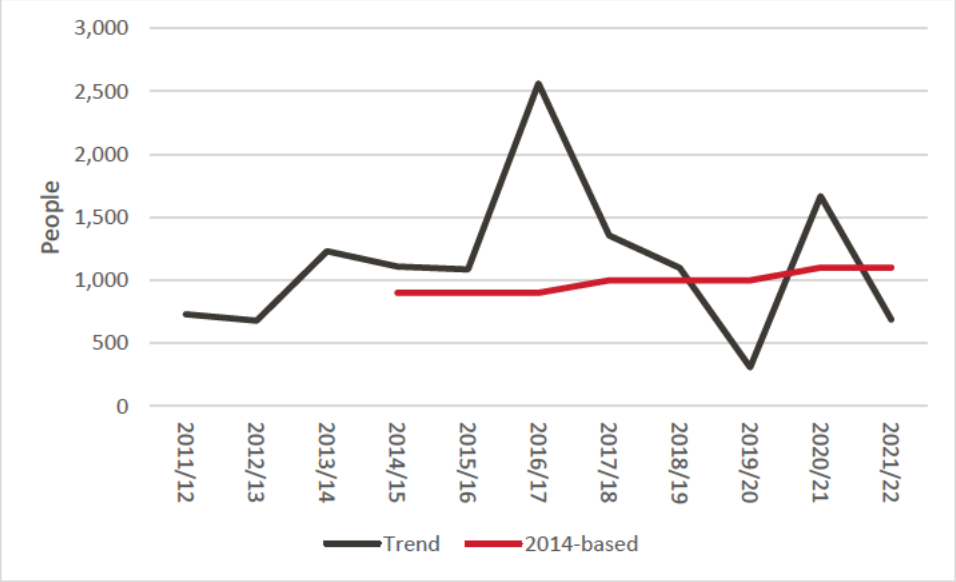
Figure 5. Natural change (2011-22) – trends and data from 2014-based SNPP – England



Source: ONS, 2014-based SNPP, Analysis of population estimates

3.4.11 A similar analysis has been carried out for net migration. This is quite variable in trends, but generally migration has been stronger since 2014 than was previously projected (net migration of nearly 10,000 people, compared with a projected level of around 8,000).

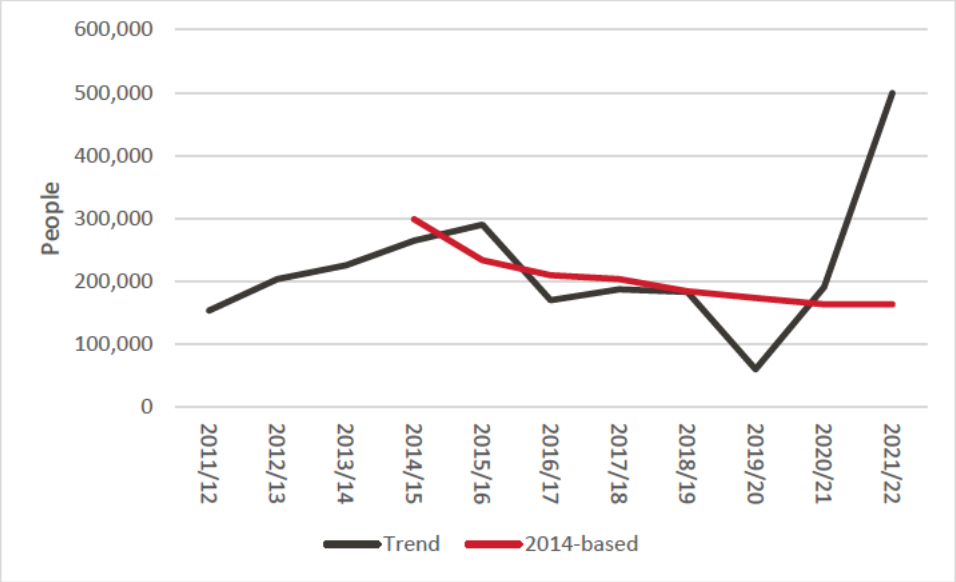
Figure 6. Net migration (2011-22) – trends and data from 2014-based SNPP – Isle of Wight



Source: ONS, 2014-based SNPP, Analysis of population estimates

3.4.12 For England the trend is again quite variable, with a very high level of net migration in 2021/22. Overall, in the period 2014-22 net migration was around 1.8 million, compared to a projected figure of 1.6 million. Although on a different scale, these figures are in the same direction as for the Isle of Wight and again point to there being no exceptional circumstance.

Figure 7. Net migration (2011-22) – trends and data from 2014-based SNPP – England



Source: ONS, 2014-based SNPP, Analysis of population estimates

3.4.13 As a summary, the table below shows natural change and net migration for the Isle of Wight. These two have been added together in a column titled "change". As noted, the change column indicates that net migration offsets natural change to produce an overall population expansion on the Island.

Figure 8. Natural Change and Net Migration (2001-22) – Isle of Wight

Year	Natural Change	Net migration	Change (NC+NM)
2001/2	-777	1,813	1,036
2002/3	-669	1,713	1,044
2003/4	-598	1,993	1,395
2004/5	-499	1,869	1,370
2005/6	-463	1,197	734
2006/7	-391	1,089	698
2007/8	-465	1,103	638
2008/9	-461	313	-148
2009/10	-383	616	233
2010/11	-371	586	215
2011/12	-347	730	383
2012/13	-614	679	65
2013/14	-286	1,230	944
2014/15	-464	1,109	645
2015/16	-530	1,085	555
2016/17	-635	2,563	1,928
2017/18	-719	1,355	636
2018/19	-670	1,098	428
2019/20	-948	308	-640
2020/21	-1,051	1,668	617
2021/22	-879	689	-190

Source: ONS, 2014-based SNPP, Analysis of population estimates

3.4.14 In reality, the actual change will be different due to the inclusion of 'other' changes and UPC, however (as previously stated) ONS does not normally take account of these factors when developing population (and household) projections.

3.4.15 The ONS uses historic data to model future trends in population growth. In the case of the 2014-based SNPP, the 5-year period to 2014 was employed for the purpose of modelling how internal migration and natural change would shape the demographic profile of local authority areas in future years.

3.4.17 The data in the table above, therefore, goes back to 2001/2 so as to look at past trends. The table to follow (drawing on the same dataset as the table above) compares the 5-year period to 2014 with more recent data to assess whether this historic data is robust for the purposes of generating the 2014-based SNPP. These are

- 5 year period to 2022; and
- 10 year period to 2022.

3.4.18 The data shows that, while use of the "5 year period to 2014" would result in an underestimate of net migration, this was substantially offset by greater falls in natural change than allowed for in the same period.

3.4.19 The resulting change figure of 368 lies close to the median of 170 and 499 (335), suggesting that, on balance, the "5 year period to 2014" provides a robust basis on which to model future population change.

3.4.20 As with the analysis elsewhere in this report, whilst there are differences in data for different time periods, there is nothing exceptional in the data to point to a higher or lower need than the Standard Method.

Figure 9. Scenarios used to model future population change

Year	Natural Change	Net migration	Change (NC+NM)
5-to 2014	-400	768	368
5-to 2022	-853	1,024	170
10-to 2022	-680	1,178	499

Source: ONS, 2014-based SNPP, Analysis of population estimates

3.5 Household Trends

3.5.1 In terms of more recent trends, we can also look at household changes as projected in the 2014-SNHP and as now shown by the Census (shown in the table below). This demonstrates that, across the Island, household growth in the 10-year period to 2021 was projected to be at a slightly higher level in the 2014-SNHP than the Census has now shown to be the case.

3.5.2 On its own this could arguably point to something exceptional, however, when looking at equivalent data for other locations, it is clear data for the Isle of Wight simply follows trends seen elsewhere. There is, therefore, nothing exceptional shown by this data.

Table 10. Estimated Households in 2011 and 2021

Area	Metric	2011	2021	Change	% change
	2014-based SNHP	61,187	65,609	4,422	7.20%

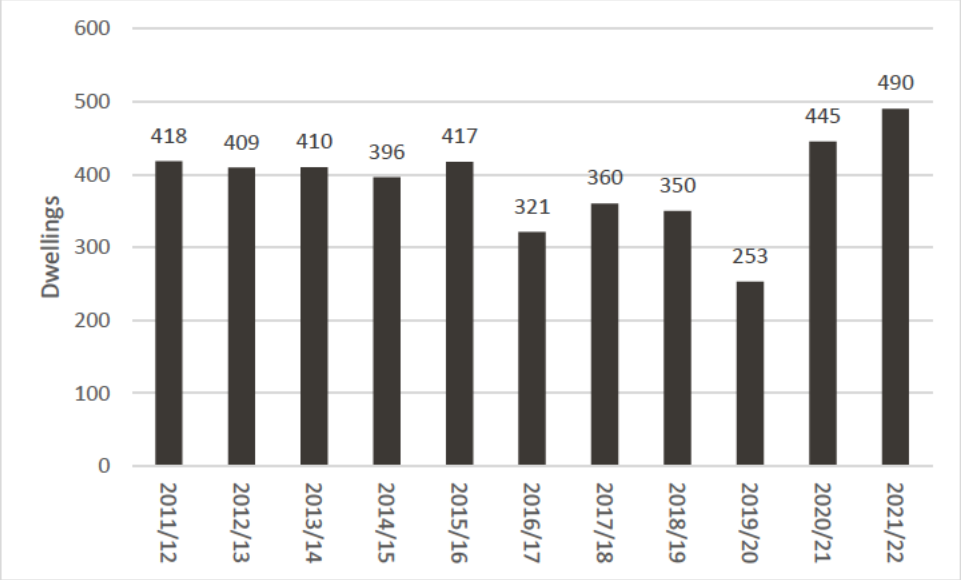
Isle of Wight	Census	61,085	64,778	3,693	6.00%
South East	2014-based SNHP	3,563,050	3,946,235	383,185	10.80%
	Census	3,555,463	3,807,966	252,503	7.10%
England	2014-based SNHP	22,103,878	24,371,273	2,267,395	10.30%
	Census	22,063,368	23,436,085	1,372,717	6.20%

Source: ONS, 2014-based SNHP; Census 2011 and 2021

3.6 Completions

3.6.1 A final analysis looks at the number of dwelling completions on the Island. The data is relatively constant over time and shows a total of around 3,800 completions in the 2011-21 period. This figure is consistent with the dwelling growth shown in the Census and generally points to the 2014-based projections as being broadly reasonable.

Table 11. Dwelling completions on the Isle of Wight (2011-22)



Source: Isle of Wight Annual Monitoring Report

4.0 MARKET SIGNALS

4.1 INTRODUCTION

4.1.1 As noted, national policy requires that, if a given council proposes to use an alternative method for arriving at its LHNF, this will need to be justified by showing exceptional circumstances.

4.1.2 In addition to demographic evidence, this should also be demonstrated by market signals, for example house prices and affordability, within the local authority area and how this compares to other relevant geographies (in this case the South East region and England).

4.1.3 Furthermore, they also provide an indication of the balance between supply and demand within the local housing market and, therefore, whether the supply of land for housing should be strengthened (excess demand) or relaxed (excess supply). The indicators presented are:

- house prices;
- rents;
- affordability;
- levels of overcrowding;
- past trends in housing delivery; and
- levels of unmet affordable housing need.

4.2 HOUSE PRICES

4.2.1 The figure below presents trends in average house prices on the Isle of Wight, the South East region and England over the period 2001-2023, indexed to 2001. This suggests that trends across these three geographies have been very close over this period.

4.2.2 In percentage terms, they have risen by 208%, 201% and 211% respectively; this corresponds to an annual rate of house price growth of around 9%. This is substantial and will exceed growth in average earnings.

4.2.3 Given the similarity in the trends over this period, this data does not support there being exceptional circumstances on the Island.

Figure 10. Average house prices (Isle of Wight, South East Region and England), March 2023

Source: ONS, HPSSA dataset 12

4.2.4 Also, it is worth noting (as a further test of exceptional circumstances) where the Isle of Wight sits within a ranking of house prices in the South East region.

4.2.5 The table below sets out the 10 most affordable councils in the region. In March 2023, the average house price on the Island was £320,781. Of the 64 councils whose data is available, this places the Island at 61, or the fourth lowest price.

Table 12. Councils with the lowest house prices in the South East region

Area	House price
Crawley	£352,387
Dover	£347,658
Thanet	£344,152
Swale	£335,689
Eastbourne	£330,977
Medway	£324,874
Hastings	£324,798
Isle of Wight	£320,781
Portsmouth	£286,722
Gosport	£275,637
Southampton	£270,389

Source: ONS, HPSSA dataset 12

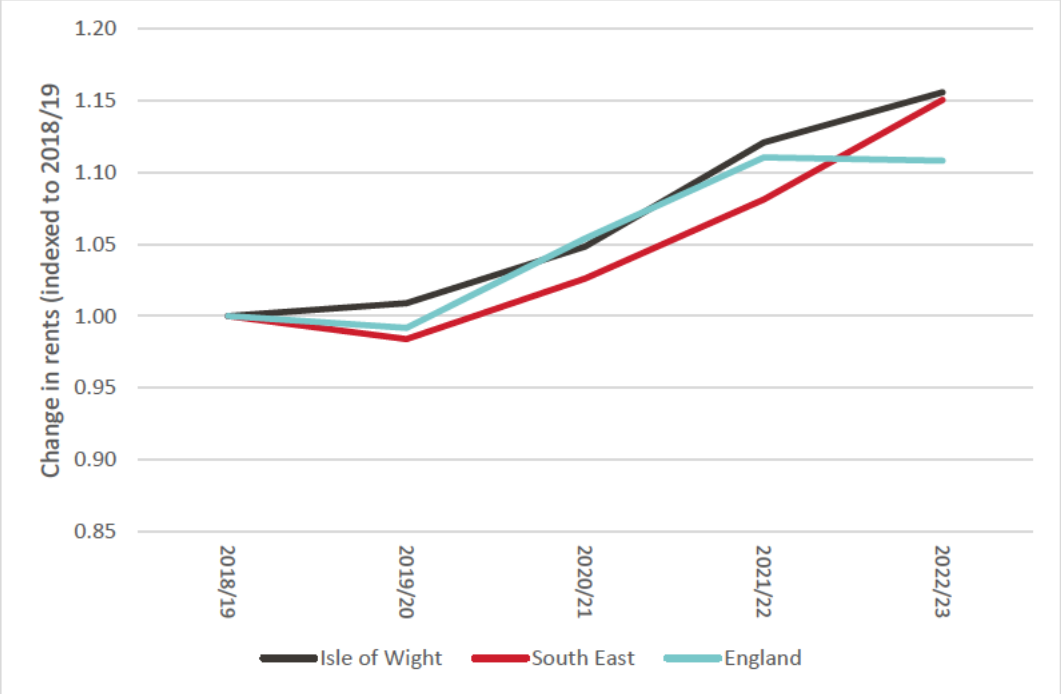
4.2.6 While the area has low house prices compared with most other parts of South East England, possibly a result of its relative remoteness, it is not an outlier, nor is it the most affordable place, with Portsmouth, Gosport and Southampton all with lower average house prices.

4.2.7 The analysis of house prices does not, therefore, support the case for exceptional circumstances. In terms of whether the evidence indicates a need for more homes than the minimum starting point based on the standard method, it points strongly towards the supply of homes being insufficient to meet demand, suggesting residential land supply on the Island should be strengthened.

4.3 RENTS

4.3.1 The figure below presents trends in average rents on the Isle of Wight, the South East region and England for the financial years 2018/19 – 2022/23. As with house prices, it indicates that rents on the Island have followed a broadly similar pattern to that of the wider South East region. That said, between 2019/20 and 2021/22 rents increased more strongly on the Island than the South East average.

Figure 11. Average rents (Isle of Wight, South East Region and England), 2018-2023



Source: Valuation Office Agency: private rental market statistics

4.3.2 In terms of where the Island sits in the rankings of rents in the region, as shown in the table below, it has the lowest rents at the regional level. That said, it would be difficult to argue it is an outlier, and therefore exceptional, given the variation in rent levels between the Isle of Wight and the district with the next lowest rent, Dover, is £40 or 5%.

Table 13. Councils with the lowest rents in the South East region

Area	Rents PCM
Rother	£971
Swale	£965
Eastbourne	£950
Medway UA	£930
Gosport	£906
Folkestone and Hythe	£847
Thanet	£838
Hastings	£807
Dover	£805
Isle of Wight UA	£765

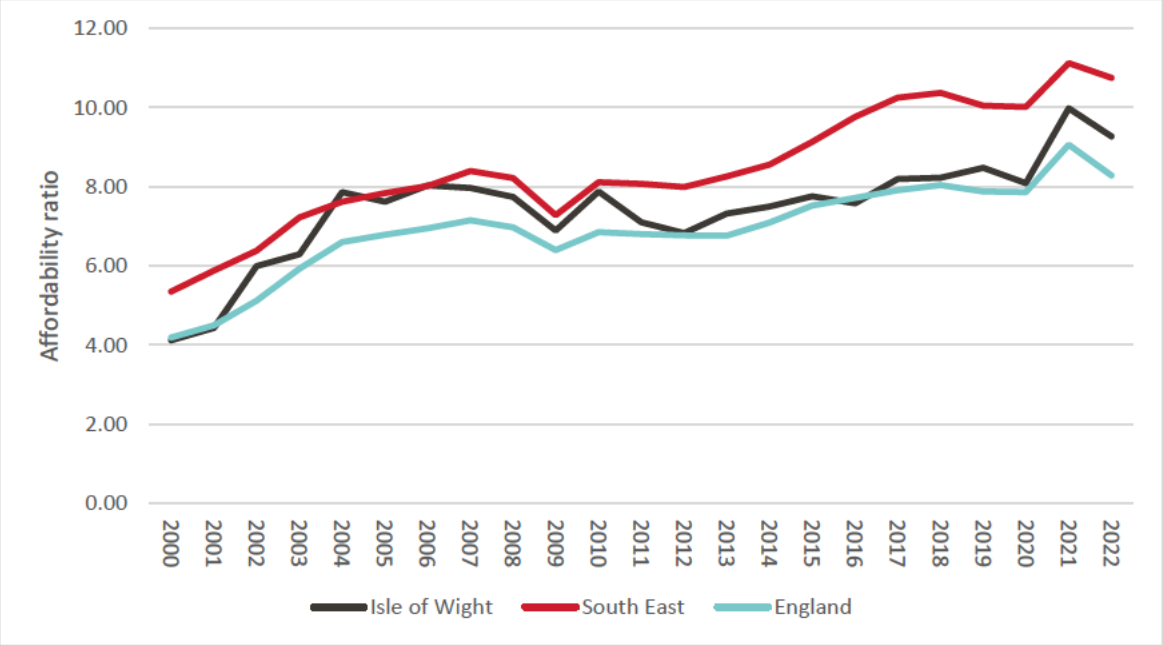
Source: Valuation Office Agency: private rental market statistics

4.4 AFFORDABILITY

4.4.1 The figure below presents trends in the median workplace affordability ratio (MWAR) reported by the ONS for the Isle of Wight, the South East region and England over the period 2000-2022. The MWAR expresses median house prices as a multiple of median earnings within each of these geographies.

4.4.2 The evidence indicates that, since the great financial crisis of 2009-10, affordability on the island has broadly tracked that of England. That said, it is significantly more affordable than the average for the South East region.

Figure 12. Median workplace affordability ratio (Isle of Wight, South East Region and England), 2000-2022



Source: ONS, House price to workplace-based earnings ratio

4.4.3 Also, it is worth noting where the Island sits within a ranking of affordability in the South East region. Of the 64 council areas in the in the South East region with a MWAR listed in the data for 2022, the Isle of Wight is the 12th most affordable local authority area.

4.4.4 While evidence that the Isle of Wight is a relatively affordable area within the South East region, the MWAR does not indicate the Island is exceptional in this regard.

4.5 OVERCROWDING

4.5.1 The table below presents changes in the levels in over-crowding and under-occupation on the Isle of Wight, the South East region and England over the period 2011-2021 through a metric known as an "occupancy rating" ("OR").

4.5.2 The OR provides a measure of under-occupation and over-crowding based on the number of bedrooms in a given dwelling and the composition of the resident household. The OR makes assumptions as regards whether it is acceptable for a bedroom to be shared by two people determined their age and relationship. This results in a finding that the household has the right number of bedrooms (0), too many (a positive result indicating under-occupation) or too few (a negative result indicting over-crowding).

4.5.3 This shows that, within all three geographies, there have been significant falls in the most extreme incidence of both over-crowding and under-occupation (2+). This have been matched by a rise in those enjoying housing that is adequate for their needs (0). There has also been a substantial rise in the number of households that have one spare bedroom.

Table 14. Change in occupancy rating 2011-21

Occupancy Rating	Isle of Wight	South East	England
+2 or more	-30%	-23%	-24%
1	68%	61%	54%
0	59%	58%	53%
-1	-57%	-44%	-40%
-2 or less	-82%	-72%	-67%

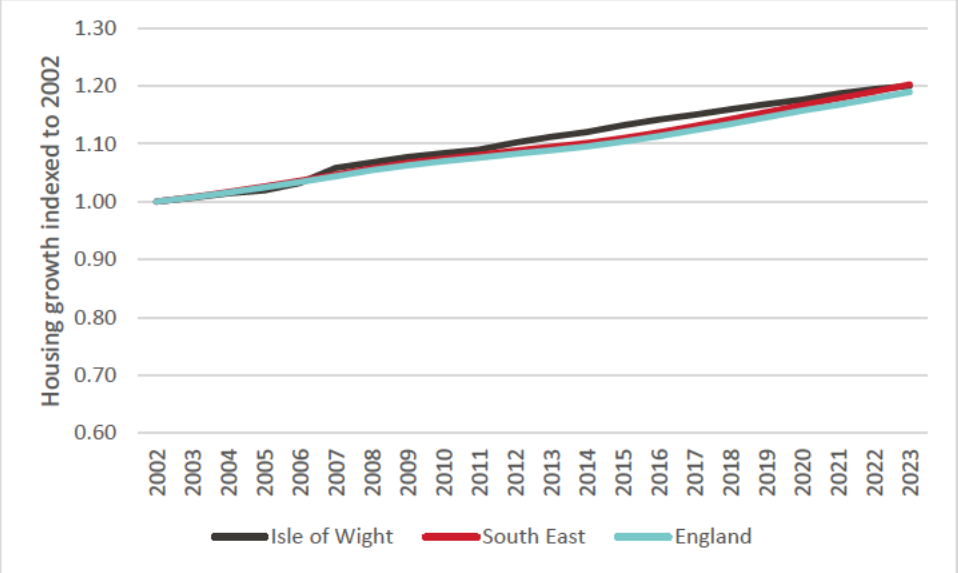
Source: ONS tables QS408UK and TS052

4.5.4 It is also important to note that the Isle of Wight is showing broadly similar trends to both the South East region and England, indicating little sign that the Island is exceptional.

4.6 HOUSING DELIVERY

4.6.1 The figure below presents trends in housing delivery on the Isle of Wight, the South East region and England over the period 2001-2023. The graph shows the rate of housing delivery indexed to 2002. The three geographies are in very close alignment.

Figure 13. Housing growth (Isle of Wight, the South East region and England) 2002-2023



Source: Live tables on housing supply: net additional dwellings Table 22, ONS Tables UV055; QS418EW and RM204

4.6.2 A compound annual growth rate (CAGR) of homes expresses growth across a number of years as an average annual percentage. It also provides a means of standardizing housing growth (and therefore making it comparable) across different geographies.

4.6.3 The CAGR of homes for Isle of Wight, the South East region and England over the period 2001/2 to 2022/23 is 0.87%, 0.88% and 0.83% respectively. This again reinforces the sense that the Island is not an outlier in terms of its local housing market, but rather has marked similarities with England as a whole.

4.7 UNMET AFFORDABLE HOUSING NEED

4.7.1 The analysis of data related to affordable housing need is confined to the Isle of Wight alone, and therefore does not have a bearing on whether the Island is exceptional.

4.7.2 That said, PPG notes that the delivery of affordable housing should be considered when arriving at a LHNF[9]. It therefore follows that, where the evidence suggests that current need has been met, this would ease the pressure for a LHNF that is in excess of that derived from the standard method.

4.7.3 The table below sets out the extent to which affordable housing need has been met in the Isle of Wight in recent years. Need is taken from evidence supporting the Isle of Wight Council's emerging Local Plan.[10]

4.7.4 Based on data over the period 2018-2022, an accumulated backlog of 597 homes has built up, suggesting a significant unmet need for affordable homes on the Island. This indicates that a LHNF that exceeds the standard method minimum may be suitable.

Figure 14. Delivery of affordable homes on the Isle of Wight, 2018 - 2022

Metric	2018/19	2019/20	2020/21	2021/22	Total
Affordable housing need	242	242	242	489	726
Affordable housing delivery	0	6	123	114	129
% need fulfilled	0%	2%	51%	23%	18%

Source: IoW Council (Local Plan evidence and annual monitoring reports)

[9] PPG (housing and economic needs assessment) Ref ID: 2a-010

[10] The Housing Need Assessment produced for the Council in April 2018 identifies a figure of 242 dwellings per year (page 83); the figure of 489 for year 2021/22 comes from the Local Housing Needs Assessment 2021 (page 108)

5.0 CONCLUSION

5.1.1 The evidence gathered in this report has sought to establish whether demographic and market signals evidence, firstly, supports the proposition of an alternative method for arriving at the Isle of Wight's LHNF (i.e., whether exceptional circumstances can be said to exist) and, secondly, whether this method would produce a LHNF that is significantly different to the figure derived from the standard method and the housing requirement currently identified in the IPS.

5.1.2 The conclusion reached is that exceptional circumstances do not exist on the Island that would justify a departure from the standard method.

5.1.3 As regards the question of whether a LHNF derived from an alternative method would be higher or lower than one based on the standard method, given that the 2014-based SNPP have been shown, in the case of the Island, to provide a sound demographic foundation on which to arrive at LHN, it follows that it is likely they would be broadly aligned.

5.1.4 That said, as noted, an alternative method would need to take in to account both backlog need for housing and the direction of market signals. These would encourage plan makers to opt for a higher, rather than lower, figure.

5.1.5 While the Council is entitled to seek a housing requirement figure that is less than the standard method on the basis of legitimate constraints to development set out in national policy, the LHNF is an unconstrained expression of need.

5.1.6 The figure that currently appears in the Draft IPS of 453 dwellings per year reflects an intention by the IOWC not to meet need in full. Clearly, any unconstrained alternative is likely to be substantially in excess of it.