

1. Implications of not meeting the LHN for the Isle of Wight

What are the likely impacts of planning for a housing requirement less than the local housing need derived using the standard method, and how will the IPS seek to focus delivery in areas of acute need?

It is important to frame this evidence paper with the underlying point that IWC is not asserting that the local housing need (LHN) generated by the standard methodology is incorrect or flawed, rather that the unique characteristics of the island housing market means it is extremely unlikely to be delivered without significant interventions beyond the council's powers. Preparing a local plan based on such a number would not be sound given the serious question marks over its delivery, and this has led to an adjustment in the housing strategy in the IPS to plan for a housing requirement that is more likely to be delivered by the island housing market.

Planning for a lower number of houses is likely to result in social, economic and environmental impacts which need to be understood both in terms of their nature (positive or negative) and their significance. In doing so the plan can be developed to ensure that the strategy taken to the provision of housing is directed to fulfilling the most urgent of housing needs and identify any possible areas of mitigation or maximising positive impacts.

To provide some clarity on the potential impacts it is necessary to firstly ascertain what the IPS will plan for in relation to housing (numbers and mix), and secondly to compare this to the household growth projections used to inform the Standard Methodology housing number before considering any wider implications.

What the IPS will plan for

The IPS will seek to provide **479** dwellings per annum across the 15-year plan period from 2022-2037, totalling **7,185** dwellings. This figure consists of **2,135** units on sites with planning permission, **3,550** units from sites allocated within the plan and **1,500** from windfall sites. This compares to the current LHN derived from the standard method of 668 dpa (March 2022) that would require a total of 10,020 dwellings over the Plan period.

There has been an acute shortage in the provision of affordable homes completed on the island in the last 6 years. Only 231 dwellings were completed between 2015/16 and 2020/21 which has worsened an existing issue. The IPS affordable housing policy (H5) requires provision of 35% affordable units on all sites above 10 dwellings, (which is all of the allocations). This has the potential to provide **2,307** private units and **1,243** affordable units on the sites allocated in the Plan.

Planning for a lower housing requirement in the IPS means that any housing provision made needs to be focussed on the island's identified needs. The recent lack of affordable housing means that provision of specific focused mixes for affordable units are needed within policy. Table 1 shows that currently over 2,100 individual households are identified within the most urgent housing need bands for rented properties and sets out how that need translates into different dwelling sizes.

Bedroom Need	1 bed	2 bed	3 bed	4+ bed	Total
Band 1	6	1	1	3	11
Band 2	210	80	87	154	531
Band 3	624	340	189	50	1,203
Band 4	276	263	130	19	688
Total	1,116	684	407	226	2,433

Table 1: Island Homefinder Band A to Band D statistics, February 2022

As the IPS is planning for a housing requirement that is lower than the LHN (see 'Housing Evidence Paper A: Approach to Housing in the IPS') it is important that the affordable provision planned on allocated sites meets as many of the highest identified needs as possible. Therefore policy H8 of the IPS includes different preferred housing mixes within policy for both affordable rent¹ to target the needs set out in Table 1 and also low-cost home ownership dwellings. The latter mix is based on the updated IWC Housing Needs Assessment (HNA)² and additional research underpinning the Housing Strategy that identified over 25% of Island households were struggling with housing costs and there was a clear need for more 2 and 3 bed family homes for affordable ownership. The proportion of affordable rent and low-cost ownership properties is aligned to the preferred mix set out in policy H5 (70/30 split).

For the provision of private sector housing, the HNA set out a predicted housing mix requirement, that has been adjusted as a result of viability work underpinning the plan, namely 5% 1-bed, 30% 2-bed, 40% 3-bed and 25% 4-bed, that is included as a preferred mix in policy H8.

			1-bed	2-bed	3-bed	4+-bed
		<i>Private mix</i>	5%	30%	40%	25%
A	Private Units	2,307	115	692	923	577
		<i>Affordable rent mix</i>	40%	30%	25%	5%
B	Affordable Rent Units	870	348	261	218	43
		<i>Low cost ownership mix (including First Homes)</i>	20%	40%	30%	10%
C	Low cost home ownership units	373	75	149	112	37
D	Total allocations (A+B+C)	3,550	538	1,102	1,253	657
		<i>Overall mix</i>	15%	31%	35%	19%

Table 2: Housing mix planned for in IPS

The positive impact of including specific preferred mixes for affordable housing is that areas of most acute need, for example 1-bedroom dwellings for affordable rent, can be targeted through policy. Without these mixes, there would be less certainty that developments would be planned to provide the size and type of affordable units most needed on the island.

By focusing on the group hit most severely by the recent lack of overall housing delivery, the proposed policy solution is to drive as much new supply in that direction as possible, resulting in a higher proportion of the housing register being addressed, whilst also ensuring the plan policies remain viable and deliverable by allowing a different mix for private dwellings, and also alternative affordable mixes where local housing needs surveys provide more up to date information. Having different preferred mixes for affordable rent, low cost home ownership (including First Homes) and private sector housing will be a fundamental part of the local plan review process to ensure that the housing policies in the IPS remain targeted towards planning for the type of housing where need is the greatest.

The IPS housing mix policy (H8) will be a significant tool in helping to focus growth in areas of acute need in a restricted housing delivery market. This will be monitored carefully over the early period of the Plan's implementation and it is intended that the housing mix policies will be included in the first 5-year plan review milestone. The annual monitoring process for the local plan will include reporting on the numbers of types (sizes) of units for both the affordable and open market.

¹ Based on combined Island Homefinder Band A – Band E needs, 2016-2021

² [IWC HNA April 2018 \(iow.gov.uk\)](https://www.iow.gov.uk)

Social implications of the IPS housing requirement

Planning for a housing requirement below the local housing need figure will have an impact on the island population and it is important to understand who or what type of housing won't be provided for and its social implications. Using the standard method (668dpa as of March 2022) to calculate housing need would require the Plan to allocate sites to achieve around 6,385 dwellings (10,020 less permissions and windfall). The IPS plans to allocate sites for 3,550 dwellings, a reduction of 2,835 dwelling being allocated.

As noted already, applying different housing mixes for private, affordable rent and low cost ownership housing in the IPS helps to plan for a more equitable split of units across property sizes, whilst also targeting areas of acute need that have suffered from historic under delivery in relation to the Core Strategy.

To help understand some of the social implications of not meeting the standard housing method, a further look at how the Standard Method housing number calculates housing need by age group and type of household is useful. The standard method household projections from 2014 look ahead to 2039. Tables 3 to 5 identify the age groups and types of households that meeting the standard method would provide for. It is the impact on these groups that needs to be considered when the Plan proposes a reduction in 2,835 allocated dwellings from the Standard Method.

	Under 25	23-34	35-44	45-54	55-64	65-74	75-84	85+	Total
2014	1532	5724	8060	11646	11019	12636	8024	3491	62132
2039	1381	5520	8069	11506	10712	14790	14276	8281	74535
Change	-151	-204	9	-140	-307	2154	6252	4790	12403
%	-1%	-2%	0%	-1%	-2%	17%	50%	39%	20%

Table 3: Isle of Wight household growth by age bracket

	1 person	Couple	Couple + adults	With dep. child	Other	Total
2014	20591	19031	4017	14968	3525	62132
2039	25951	22887	4746	16488	4463	74535
Change	5360	3856	729	1520	938	12403
%	43%	31%	6%	12%	8%	20%

Table 4: Isle of Wight household growth by household type

	No dep child	1 dep child	2 dep child	3+ dep child	Total
2014	47164	7447	5254	2267	62132
2039	58047	9697	4809	1982	74535
Change	10883	2250	-445	-285	12403
%	88%	18%	-4%	-2%	20%

Table 5: Isle of Wight household growth by number of dependent children per household

Table 3 highlights that in terms of age, the island will only see household growth in the age brackets of 65 and above. This reflects both an ageing population and the attractiveness of the island as a place to retire to. Whilst small decreases are seen in the age brackets 34 and under, these are relatively minor and suggest a stable population at the younger end of the spectrum. Table 4 shows that almost 75% of household growth will be for single person or couple household sizes, whilst Table 5 highlights that 88% of growth will be in households with no dependent children. The combination of these projections solidifies the view that the vast majority of island population growth to 2039 will be centred on older, smaller households which are materially affected by higher in migration to the island

in older age groups (the number of people aged 60 to 74 migrating to the island increased each year between 2012 and 2018³).

Given these projections, and the inability of the island housing market to deliver the full number of homes to meet the local housing need, policies in the IPS have been shaped to address as far as possible areas of acute housing need. This means a focus on the following:

- i. Table 1 shows that 1,800 of the 2,433 individual households on the affordable housing register require 1 or 2 bed rented accommodation. Row B of Table 2 indicates that the IPS policies are planning for over 800 1 and 2-bed affordable rented units or low cost ownership, meeting over 45% of the need;
- ii. Half (50%) of the overall planned growth on allocated sites (private and affordable), 1,756 units in total out of 3,550, is for 1 and 2 bed units – therefore if new households in the older age brackets are in genuine need of such properties they are being planned for. If older people moving / retiring to the island wish to secure larger properties, then this is one of the elements of need that may not be provided for through the IPS policies and new housing, albeit existing housing stock and windfall homes remain sources to help meet that demand.

This focus may not result in reduced levels of in-migration to the island, but more a concentration on the use of existing stock and windfall homes to meet any such need rather than occupying new stock within allocated sites – effectively the IPS is seeking to shift the target of new supply given the necessity to focus constrained delivery in areas of acute need.

The focus on smaller properties in low cost home ownership dwellings, including the addition of First Homes as such a product, may also assist with increasing provision for young/first-time buyers in the Island's housing market, where the wages of younger people are often not sufficient to access private and even some affordable housing products. Compared to the nine Hampshire local authorities, the Isle of Wight has the lowest 'Lower quartile earnings' (£18,623), the lowest average wage (£26,165.00), yet average house prices are 7th out of the 10 authorities (£245,938.00). Design policies within the IPS, coupled with National Minimum Space Standards for new dwellings, will ensure that smaller properties do not suffer from a lack of amenity space and are planned at appropriate densities, with urban areas able to accommodate higher density schemes.

The Housing Needs Assessment Update 2022 included analysis of this 'policy on approach' whereby the draft IPS policies (particularly G2, H5 & H8) were modelled to ascertain their impact on population growth in different age cohorts and then used to help generate affordable housing need. In this scenario, internal in migration for the 20-29 age group was increased slightly to account for the potential 'return' of young people following graduation / higher education. Internal out migration for the 20-44 age group was reduced slightly to model the impact of retaining more of the age groups targeted by the IPS policies. Finally, internal in migration in the 55-69 age group was reduced by 10% to reflect the issues mentioned earlier. The findings of this 'policy on' growth scenario saw a slightly lower overall population change in the plan period (reduction from 7.3% to 6.9% growth), equating to 569 less people.

Economic implications of the IPS housing requirement

From an economic perspective, a reduction in the housing requirement could reduce economic growth; however it must be remembered that even delivery at 480+ units per annum for successive

³ Source: Isle of Wight Joint Strategic Needs Assessment – Demographics and Population 2018/19, IWC & NHS.

years would represent a 35% increase in housing delivery over the last 10 years. However, with clearly identified plan review policies and triggers, the economic impacts of a housing number below the local housing need can be regularly assessed.

Positive impacts

Given the potential increase in housing delivery over existing and recent years, there are likely to be a number of economic gains related to this. Directly related will be the growth in the construction sector on the Island, including all elements of supply chain and subsidiary supporting businesses, from design to supporting infrastructure. There is significant potential in a move to a low carbon construction and Island life, with the normalisation of electrical vehicles over the plan lifetime and the increasing use of renewable sources to power new homes. Providing the certainty of consent through plan allocations could also help with exploring options to address the cost and viability barriers to housing delivery, such as exploring the potential for council led/ supported social housing based on-Island MMC or other method of affordable housing stock provision solution.

Growth focused on existing settlements will increase the focus on development in settlements and concentrate economic activity, leading to more indirect economic impacts from a greater concentration of population. This multiplier effect would likely generate more people to spend in existing centres of growth, making use of and sustaining local services and infrastructure.

There is the potential for wider economic benefits on the Island, particularly if some of the barriers to delivery are addressed. For example the supply of skilled trades could be facilitated by a growth in training, apprenticeships and further education opportunities on the Island. While a major focus for the plan will be the delivery of affordable housing, open market housing could still include provision with features that are likely to attract young professionals to the Island, such as dedicated home working space and high-quality internet access.

Negative impacts

While the growth proposed in the plan is more than has recently been delivered on average over the past decade, it is nevertheless less than the growth anticipated by the Government standard methodology approach. A lower level of housing delivery will see less financial contributions and other forms of planning gain. So while the population may increase as anticipated through ONS modelling the ability to upgrade infrastructure is likely to be reduced (proportionately less money per capita to pay for any upgrades or, significantly for an Island authority, maintenance, e.g. cross-Solent transport and coastal defences).

Just as the potential for wider economic benefits identified above (positive impacts) from the proposed increase in housing delivery, there are similar negatives in not planning for the entirety of the local housing need. The growth in the construction and supporting sectors will be less and the wider economic benefits not as great.

Potential mitigation

- Consider different modelled scenarios for infrastructure requirements to take account of Island population growth over the plan period (as opposed to planned for housing delivery);
- Clear economic policy to encourage jobs and reinvigorate housing market, to include web-based home-working environments in new properties;
- Require an Employment and Skills Plan at Construction stage for development of a certain size;

- Plan policies / site allocations to be supportive of MMC;
- Identify sites where MMC may be appropriate;
- Provide policy support for small and start-up businesses by seeking a percentage of small units on the employment allocations; and encourage small units in rural areas and town centres and on council owned sites. Encouraging dedicated or flexible workspace in housing.

Environmental implications of the IPS housing number

The environment is an important factor, especially when considering housing growth from a spatial perspective. With over 50% of the island designated as AONB, the extent of high level nature conservation designations and the prevalence of the historic environment, concentrating planned growth around existing settlements at the level set out in the IPS, will in the short term at least, provide an island realistic housing requirement not only from a delivery perspective, but from an environmental one as well. The overall environmental significance of the Isle of Wight as a special place has been recognised by UNESCO, through the award of Biosphere Reserve status.

Positive impacts

Growth focused on existing settlements, particularly redevelopment of brownfield sites will help to maintain the integrity of the urban/rural boundary, particularly in terms of landscape. Settlement identity and avoiding coalescence was a significant issue raised during the first Regulation 18 Draft IPS consultation and the proposed reduced quantum focussed on existing settlements will help to address the concerns raised.

A housing requirement in the IPS that is less than the identified housing need will result in less demand on natural resources, the Islands 'footprint' is already larger than it can sustain over a long period e.g. water consumption, so making provision for fewer houses will help to reduce the growth in demand and associated impacts. Benefits from this would include less stress on the Island's freshwater resource, which is already stressed, and a lower demand for indigenous aggregates, which in turn would result in associated reduced impacts such as visual/landscape (potentially significant given the extent of the AONB designation), noise, dust, traffic and other amenity issues.

A reduced and spatially focused housing requirement will help to maintain the integrity of not just environmentally designated assets, but the wider countryside and undeveloped coastline. This is important not only in its own right, but also in sustaining the tourism economy for the Island, which is primarily based upon the quality of the environment and its proximity (accessibility) to more densely populated areas of the south-east of the country.

Negative impacts

A lower housing requirement will result in reduced planning contributions to off-set the environmental impact of new development and its occupiers/use. It will also result in less environmental net gain and other sustainable priorities that would have a significant (positive) effect on the local environment e.g. funding of new cycle and footpaths and maintaining or increasing demand for existing and/or new public transport services. This could be compounded by a population growth more aligned with an ONS trajectory (i.e. an element of population growth not planned for through the IPS).

In addition to the assessment of impacts associated with the proposed housing requirement is the assessment of the requirement, and any viable alternatives through the Integrated Sustainability Appraisal. This has been carried out as part of the sustainability appraisal of IPS policy H1.

It is also important to note that local plan policies can only go so far in directing, influencing, and planning for the projected population growth. As the 'Barriers to Housing Delivery'⁴ summary table sets out, there are clear constraints to delivery within the island housing market, and overcoming these will require significant overlap between the LPA, the Council as a wider corporate entity, delivery partners (public and private) and the general housing market operators. The issues faced by the island are wider than issues that local plan policies alone can solve; however these policies must seek to address the areas of most acute need in a sustainable, viable and deliverable way.

Another factor to set out is that the housing requirement in the IPS is, as required by the NPPF, not a ceiling or target to aim for and the policies are focused on securing the housing that is most needed on the sites allocated. Over the plan period it is inevitable that other sustainable sites will come forward as part of the 'windfall allowance' and deliver a market facing, policy compliant solution that may pick up many elements discussed in this paper. The IPS policies have been written to ensure that any such sites are predominantly on previously developed land (policy H9), are small infill sites (policy H4) or are rural/First Homes exception sites (policy H7) providing locally needed affordable housing. In this context the windfall allowance of 100dpa set out in policy H1 may be exceeded.

Table 6 lists those IPS policies dependant on the housing requirement and spatial distribution and provides brief commentary on how they have been worded to relate to the island specific housing issues set out in various strands of the evidence base supporting the IPS and where some of the mitigation identified above can be shaped in policy.

IPS Policy	Comments
G1	<i>Over-arching policy setting out the aim to meet an 'island realistic' housing requirement</i>
G3	<i>Focusing planned growth on existing settlements and providing support for non-allocated sites in sustainable locations within settlements</i>
G6	<i>Renewed focus on sites with permission being delivered in a timely manner given constrained housing delivery market</i>
H1	<i>Provides island realistic housing requirement for the plan period that is based on historic levels of delivery and an element of aspiration that is achievable within the boundaries of local plan policy</i>
H2	<i>With IPS Appendix 1, allocates a wide range of sites considered most sustainable and suitable for delivering the island realistic housing requirement, spatially distributed across the island on brownfield and greenfield land. Some larger, strategic sites will include specific reference to suitability for MMC as economic mitigation</i>
H3	<i>General requirements for allocations can include support for MMC where appropriate as economic mitigation</i>
H5	<i>Includes a specific affordable housing mix to focus supply in areas of greatest need</i>
H7	<i>Exception sites policy supports the delivery of rural exception and First Homes exception sites to provide further supply of homes focussing on areas of local need</i>
H8	<i>Provides a specific housing mix to focus supply of private units in areas of greatest need</i>

⁴ Island Housing Market Delivery Barriers evidence paper & Summary Table, IWC May 2022

H9	<i>Housing on Previously Developed Land policy that supports development on brownfield land, focussing on providing an appropriate mix of units</i>
E2	<i>Policy support for a range of economic development opportunities including to small and start-up businesses as identified for economic mitigation</i>
E3	<i>Requirement for Employment & Skills plans as identified as economic mitigation</i>
Section 10	<i>Specific plan review table highlighting the IPS policies that it will be essential to include as part of the first review milestone</i>

Table 6: IPS housing policies and commentary on social implications

The content of this paper will also help to provide a context for the IWC's Duty to Co-Operate position on housing with other nearby LPAs. It is clear that much of the 'unmet need' from the IPS not meeting the LHN derived from the standard method will be for older households, many of whom would be moving to the island. This suggests that a proportion of the islands 'unmet need' may already be located in these mainland authorities, therefore any inability of those closest authorities to absorb the unmet need may simply be reflected in a reduction in natural population movement.