

Housing

Affordability

SPD

DRAFT

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1. Introduction

- 1.1 The Island Planning Strategy (IPS) is currently being prepared and once adopted will replace the Island Plan Core Strategy 2012. Preparing and adopting a local plan takes time and the IPS has been delayed and now awaits forthcoming changes to the National Planning Policy Framework (NPPF) before it progresses to the formal stages.
- 1.2 Affordable housing policy is currently provided by Core Strategy Policy DM4 `Local Affordable Housing`. National guidance has been amended since the adoption of the Core Strategy and updated evidence has been collected. It is considered that a new Supplementary Planning Document (SPD) will update and clarify the implementation of Policy DM4 in the current context.
- 1.3 This SPD will provide an update on the types of affordable housing being sought and the target mix being sought on sites. The SPD specifically supports the implementation of Core Strategy Policy DM4 criteria 3 and 4.
- 1.4 Specific areas covered in this document include: -
 - An explanation of the affordable housing process from gaining planning permission through to the occupation of dwellings;
 - Clarification on the sources of data that will be used to inform local affordable housing requirements (size, tenure, level of market discount);
 - An updated commentary on the Policy DM4 target mix of 70% social/affordable rented and 30% intermediate tenures;
 - The types of affordable housing the council will require developers to provide when delivering on-site affordable properties;
 - The discount from the market value the Council will require on First Homes;
 - An explanation of where it where it may be acceptable to provide a lower proportion of affordable housing, subject to viability and other factors

1.5 This document will be adopted as a Supplementary Planning Document (SPD) and will be a material consideration in the determination of planning applications.

2. Current National Policy

2.1 Planning Practice Guidance describes affordable housing need as an estimate of “*the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market*”. The NPPF paragraphs 62 and 63 set out that:

‘The size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing...)’.

‘Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required...’ applying the definition in Annex 2 to the framework’.

2.2 The definition of affordable housing in the NPPF Annex 2 is:

‘Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

a) Affordable housing for rent: *meets all of the following conditions: (a) the rent is set in accordance with the Government’s rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).*

b) Starter homes: *is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these*

sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

*c) **Discounted market sales housing** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.*

*d) **Other affordable routes to home ownership** - housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision or refunded to Government or the relevant authority specified in the funding agreement.'*

- 2.3 In May 2021, the Government published guidance on 'First Homes' a specific kind of discounted market sale housing which meets the definition of 'affordable housing' for planning purposes in a Written Ministerial Statement . The requirements for a 'First Home' are set out in Appendix 1.
- 2.4 First Homes are the government's preferred discounted market tenure and a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. However, it should be noted that this is not a requirement or mandatory and so might be suitable on a scheme on the island but equally might not be. It is expected that any First Homes (remaining in perpetuity) will be secured through section 106 planning agreements.

Current local policy

2.5 Core Strategy Policy DM4 is set out below:

DM4 Locally Affordable Housing

The Council will seek to deliver around 1,790 affordable homes over the plan period. Development proposals will be expected to:

- 1. Provide 35% of the development as on-site affordable housing, based on developments of 15+ units in Key Regeneration Areas and 10+ units elsewhere.**
- 2. Provide financial contributions towards affordable housing for developments of 1-14 units in Key Regeneration Areas and 1-9 units in Smaller Regeneration Areas and rural areas.**
- 3. Deliver a target mix of 70% of affordable housing to be social/affordable rented and 30% for intermediate tenures.**
- 4. Demonstrate how the proposals benefit the community.**

The Council will support proposals for rural exception sites that would deliver affordable housing outside of identified settlement boundaries, where a local need can be demonstrated and there is no reasonable prospect of other sites meeting the identified local need. To take account of changing economic circumstances, if a developer is unable to provide the required 35% affordable housing, the Council will require an open-book assessment of the development viability to demonstrate what level of affordable housing is viable for the site. The contribution towards affordable housing will be set out in the Planning Obligations SPD

2.6 Policy DM4 provides guidance on the provision of affordable housing in the planning application process. The policy is supplemented by an Affordable Housing Contributions SPD which came into force in March 2017. This sets out the parameters for collecting a 3% financial contribution from qualifying development for the provision of affordable housing, expanding on criterion 2 of policy DM4.

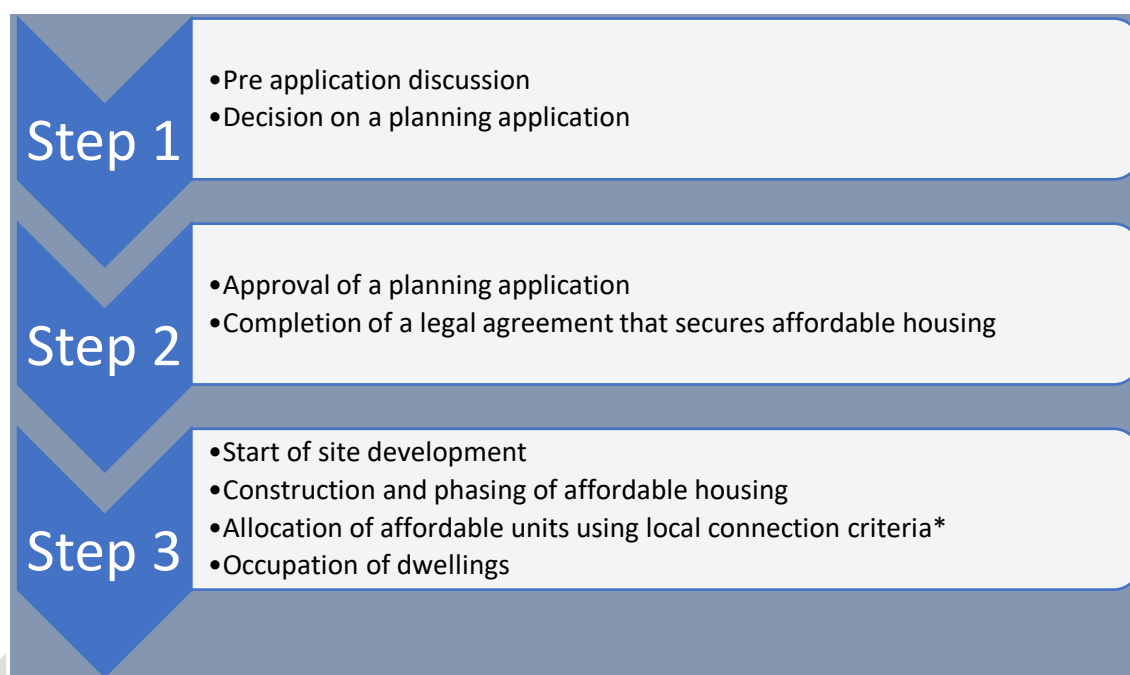
2.7 This new SPD `Housing Affordability` supplements criteria 3 and 4 of policy DM4 which seeks a) target mix of 70% of affordable housing to be social/affordable rented and 30% a mix of intermediate tenures and b) information on how the proposals benefit the community. This additional guidance will allow new development coming forward in advance of the

adoption of the new Island Planning Strategy to best meet the island's housing needs and reflect changing circumstances in the housing market.

3 The Process of Affordable Housing Provision

3.1 Affordable housing is in short supply and applicants, depending on their circumstances, generally face a wait to secure a property. The main steps that need to be completed before a property is occupied are set out in Figure 1 below.

Figure 1 Process of Affordable Housing Provision



* See Appendix 2 for an example of the local connection criteria used to allocate affordable homes

- 3.2 Once a planning application is registered, it is then assessed by a planning officer and a report is written setting out its acceptability and compliance with local plan policies including Policy DM4 'Locally Affordable Housing'.
- 3.3 After consideration of the report, if the planning application is approved, a legal agreement may be required. The legal agreement ensures that provisions like affordable housing and their timing are committed and agreed before a development commences.
- 3.4 Once the affordable housing units are developed, they are advertised for occupants on the Island Homefinder scheme. The Island Homefinder scheme is operated by IOWC, Vectis Housing Association, Sovereign Housing Association and Southern Housing. This Scheme offers the

available properties and applicants can apply for the property of their choice providing they meet the stated eligibility criteria. Available properties are advertised on the website by each partner to the scheme. An applicant can apply for as many properties as they wish. The relevant Housing Association shortlists applicants in order of Island Homefinder band, and properties are allocated in order of the shortlist to those applicants that meet the local connection criteria (see Appendix 2) that is set out in the legal agreement forming part of the planning permission.

4. The current housing context

- 4.1 The Island has a high level of home ownership with 70% of homes owned compared to 63% in England. By comparison, the proportion of social rented properties is much lower on the island at 11%, compared to 14% in Hampshire and 18% in England. Privately rented properties form around 17% of total properties, the same level as in England but higher than the 13% in Hampshire (IOW Affordable Housing Assessment 2022). These proportions have stayed relatively static over the past 15 years.
- 4.2 Using the household income profile for the Isle of Wight (as shown in Table 1), it is estimated that 96% of households are unable to afford median property prices, and 85% are unable to afford the entry-level, lower quartile costs. 46% of new households are unable to afford the lower quartile rent of £550pcm.

Table 1 House prices and affordability

Open Market House Prices: Costs & Affordability	Lower Quartile	Median
Open market property price	£188,000	£255,000
Income needed (15% deposit and 4x loan to income multiplier)	£39,950	£54,188
Proportion of households unable to afford	85%	96%

Source HNA, 2022

- 4.2 On the Island, the average cost of a new build dwelling is £373,663, an increase of 96.9% since 2010 (HM Land Registry Open Data, January 2022). Property prices, although cheaper than many areas of the South East, remain unaffordable for many local households. Many Island residents find they are unable to purchase a first home, particularly working age islanders. Median annual household income on the island in 2021 was £27,500 (Local Housing Needs Assessment, May 2022).
- 4.3 In 2021, the affordability ratio of average house prices to average earnings on the Island was 10.00, based on an average of all house prices¹ of £255,000 (Local Housing Needs Assessment 2022). This compares to affordability ratios in Portsmouth and Southampton of 7.44 and 7.43 respectively (Local Government Association, 2021). Note: affordability ratios vary from year to year and declined on both the island and the two cities in 2022.
- 4.4 A contributory factor to affordability on the island is considered to be second homes and holiday homes. This contributes to inflated prices and further limits housing availability.
- 4.5 The HNA, 2022 identifies that 372 homes per year are needed to meet affordable housing need for rent on the island and 117 dwellings per year for affordable home ownership. based on an overall housing need of 667 dwellings per annum (the standard methodology number at the time the HNA was undertaken).

Affordable Housing Delivery on the Island

- 4.6 Since 2015/16 there has been limited delivery of affordable housing on the island. In the last 7 years, 345 affordable homes have been completed on the island, only 13% of total completions, The table below shows the annual provision over the last 7 years on the island.

¹ This figure is an average of all types of housing including new build and so is lower than the average cost of new build dwellings, which have a premium, used in paragraph 4.2.

Table 2 Affordable Housing Completions 2015-2022

Year	Total new homes completed	Affordable homes completed	% of completions as AH
2021/22	490	114	23%
2020/21	445	138	31%
2019/20	253	6	2.4%
2018/19	350	0	0%
2017/18	360	18	5%
2016/17	321	34	10.6%
2015/16	417	35	8.4%
Total	2,636	345	13%

Source: IOW Authority Monitoring Reports

- 4.7 However the last two Authority Monitoring Reports for 2020/21 & 2021/22 identified that 138 and 114 affordable housing units (or 31% & 23%) respectively of total completions were delivered, a large increase on the previous 5 years. This is more consistent with levels achieved between 2011 and 2015 when 140 dwellings per annum were achieved on average. This however is well short of the identified need of 372 affordable dwellings per annum.
- 4.8 A lack of affordable housing provision and a high demand means just over 2,300 individual households have been identified as being within the most urgent housing need bands for rented properties. The table below sets out how this translates into different dwelling sizes.

Table 3 Housing Need by Property Size

Bedroom Need	1 bed	2 beds	3 beds	4+ bed	Total
Band 1	2	2	0	1	5
Band 2	177	40	33	37	287
Band 3	671	356	218	58	1,303
Band 4	258	270	143	35	706
Total	1,108	668	394	131	2,301

Table 2: Island Homefinder Band A to Band D statistics, May 2023

- 4.9 The [Affordable Housing Assessment 2019](#) identifies that no size of property would be considered to be 'affordable' at 80% of market value. Island Affordable Rent levels are identified as:
- 1-bed: 70% market rent or Local Housing Allowance (LHA), whichever is the lowest
 - 2-bed: 70% market rent or LHA, whichever is the lowest

- 3-bed: Up to 65% for working families or capped at 50% for low income
- 4-bed: 50% market rent (capped rent)

4.10 The HNA identifies a requirement for different tenure types across the Island. There is a range of information available to use as a starting point to help determine an appropriate combination of general market housing and affordable housing types in any planning application to ensure it contributes to meeting identified needs. These are set out in Policy SPD AH1 in Section 6 below.

5. The Island Planning Strategy Future Direction of Policy

- 5.1 A new Island Planning Strategy (IPS) is being prepared. Its next stage will be Regulation 19 consultation as the Plan enters its formal stages of preparation. Following a period for representations, a public examination will be held.
- 5.2 New affordable housing policy in the IPS will take account of the latest evidence in the Affordable Housing Needs Assessment 2022 and updated information on affordability and viability. New policy will seek to achieve a good mix of housing types to maximise meeting as many needs of the island population as possible, as well as requiring 'island affordable' properties that are at a deeper discount from market value. This Housing Affordability SPD cannot introduce those deeper discounts as it cannot write 'new policy' that does not conform with adopted local and national policy.
- 5.3 Affordable Home Ownership (AHO) includes a range of products including starter homes, discounted market sales or other routes to home ownership, for example, Rent Plus. Affordable housing will be expected to remain affordable in perpetuity, with the exception of provisions through the right to buy and planning policy will reflect this.

6 SPD Affordable Housing Policies

- 6.1 Planning applications will be expected to align with the latest version of this SPD at the time a valid application is submitted. The following policies should be considered before permission is sought.

Policy SPD AH1

- 6.2 Policy AH1 seeks to ensure that the most up to date and relevant information is used by applicants when considering an appropriate mix of affordable properties on qualifying sites.

Policy AH1: Data Sources to Inform Affordable Housing Provision

- i) **The Council will use the following sources of data to inform the appropriate mix of on-site affordable housing secured under Core Strategy Policy DM4:**

- a) **the Island Homefinder register (IWC).**
- b) **Adopted neighbourhood plans.**
- c) **Parish level housing needs surveys completed after 2018.**
- d) **IOW Housing Needs Assessment (HNA) 2018 & Local Housing Needs Assessment 2022.**
- e) **Affordable Housing Assessment 2019 (IWC).**

Where local data is available for a settlement in a parish level housing needs survey, the make-up of the on-site affordable housing is expected to fully take this into account to help demonstrate how the proposals benefit the community.

Where this data is not available, it is expected that a local housing survey will be undertaken in agreement with the council and parish, town or community council funded by the developer.

- ii) **Developers will be expected to engage with the Council at pre-application stage to receive a clear steer on the expected make-up of any on-site affordable homes.**
- iii) **Applications that do not provide the expected make-up of on-site affordable homes at pre-application / application stage will need to**

submit an evidenced justification as to why this cannot be achieved. This can be expected to be scrutinised more closely during determination.

Supporting Text

- 6.3 The Local Housing Needs Assessment, 2022 identifies the need for a range of tenure types within the different areas across the Island. A number of documents can help to inform on the most appropriate mix to meet housing needs on the island. These include the Island Homefinder register; adopted neighbourhood plans; Parish level housing needs surveys completed after 2018; Housing Needs Assessment (HNA) 2018 and the HNA update 2022 (GL Hearn) and the Affordable Housing Assessment 2019 (IWC). The information in these sources should be combined and will be used as the starting point in determining an appropriate mix of general market housing and affordable housing types to contribute to meeting identified needs.
- 6.4 Adopted [Neighbourhood Plans](#) as of May 2023 include:
- Bembridge NP, 2014
 - Brading NP, 2015
 - Brighstone NP, 2016
 - Gurnard NP, 2017
 - Freshwater NP, 2018
- 6.5 Town, Parish, and Community councils, with or without neighbourhood plans will be encouraged to undertake local housing surveys, with or without developer input, in order to help inform the housing mixes being sought at the local level. This is particularly encouraged where there is no local data or where existing information is out of date.

Policy SPD AH2

- 6.6 Affordable housing needs vary across the island and between different settlements. However, it is clear that the majority of affordable need is for social or affordable rent, and this is reflected in Policy SPD AH2. The other types of affordable housing vary, and new products are emerging.

Each of these address different housing needs. The make-up of this mix in different settlements on the island should be informed by a site by site appraisal, taking in the latest available information. Consideration should include addressing the housing needs of older people.

Policy SPD AH2 On-Site Affordable Housing Requirements

On qualifying sites, development proposals are expected to provide 35% as on-site affordable housing. This should include the following mix:

- I) 25% First Homes discounted by a minimum of 30% against the market value**
- II) Of the remaining properties, a target mix of:**
 - a. 80% social or affordable rent with discounts in line with the Affordable Housing Assessment 2019 (AHA).**
 - b. 20% to be other affordable products (which can include Rent Plus) with the mix of unit sizes informed by SPD Policy AH1.**

Any First Homes included as part of the mix should be discounted by a minimum of 30% against market value.

III) Proposals should be supported by a local housing survey.

Supporting Text

- 6.7 Proposals for the affordable housing element of a development site are expected to take account of the information set out in the data sources in Policy SPD AH1. Achieving the right balance in affordable housing provision will vary across the island and from site to site depending on its characteristics. Pre application discussions with the council are strongly advised in order to discuss the suitability of any proposals in a given location. Proposals should be informed by a site appraisal based on a local housing needs survey and agreed with the council. Development will be expected to deliver 35% affordable housing on-site in line with Core Strategy policy DM4 and national policy. However, proposals that can deliver more than the 35 per cent requirement will be welcomed.
- 6.8 The level of need for social and affordable rented properties is very high as set out in the Local Housing Needs Assessment 2022. The target mix has therefore been amended to reflect the current position increasing the

amount sought to 80% of affordable housing. Other affordable products have consequently been reduced to 20%.

- 6.9 Where part of a dwelling results from the affordable housing calculation, the figure will be rounded to the nearest unit i.e., if it is 0.5 units or more it will be rounded up to the nearest unit. Where it is below 0.5 units it will be rounded down to the nearest unit.

For example, on a site of 120 homes the following would be the target mix using the criteria set out in SPD policy AH2:

- i. 78 market sale homes, 42 affordable homes (35% in line with Policy DM4)
- ii. Of the 42 affordable homes:
 - a. 11 x First Homes.
 - b. 25 x social/affordable rent with discounts in line with the AHA.
 - c. 6 x other affordable homes, which could be First Homes, affordable rent, Rent Plus, discounted market sales or other intermediate tenures

- 6.10 First Homes² are designed to allow people to get on the housing ladder in their local area. It is considered that First Homes could contribute to providing a solution for ensuring local islanders buying their first home and/or for key workers. The role these play in providing for affordable housing on the island will vary and housing providers are encouraged to discuss this provision in pre-application discussions.

- 6.11 The council recognise Rentplus as an affordable housing product and that this can contribute to the 20% other affordable housing category. Tenants pay a discounted rent (80% of open market rent) for a minimum of 5 years to save towards the purchase of the house. The option to purchase comes after 5, 10, 15 or 20 years which is agreed at the start of the process and a 10% deposit is gifted when tenants are ready to purchase.

Exception to policy

- 6.12 The council accepts that there may be exceptional circumstances in limited cases where a flexible approach towards the delivery of affordable housing is required. However, the approach will be to maximise the

² See Appendix 1

amount of affordable housing achieved in these circumstances. This approach reflects the viability challenges for developing on the Island, the changes towards government subsidy for affordable housing and the needs of Island residents that are not currently being met.

- 6.13 If a developer is unable to provide the required 35 per cent affordable housing provision on-site the council will require an open-book assessment of the development viability to demonstrate what level of affordable housing is viable for the site, or whether the required level could be required off-site. Where an independent open-book viability assessment is required, this will be funded by the developer and made available to the public, as it would form a key part of the determination process. The cost of assessing any viability assessment will be borne by the developer and the council will seek to engage the district valuer in such circumstances.

7. Monitoring and review

- 7.1 This SPD will operate until Core Strategy policy DM4 is replaced by policy in the new Island Planning Strategy, or it is updated to reflect new government planning guidance or policy. New supplementary guidance will be produced to supplement new planning policies if it is required and permitted by new government guidance in place at the time.
- 7.2 The mix of market and affordable housing will be monitored each year in the Authority Monitoring Report as well as the affordable housing mix. The number of local housing surveys completed, and their location will be reported on annually. A commentary against policies AH 1 and 2 will be provided.

Appendix 1

First Homes are a discounted market tenure introduced by Government in May 2021 to help first time buyers onto the property ladder. These are considered to meet the definition of affordable housing for planning purposes. First Homes must:

- i. be discounted by a minimum of 30% against the market value; and,
- ii. after the discount has been applied, the first sale of the home must be at a price no higher than £250,000; and
- iii. be sold to a person who meets the First Homes eligibility criteria as set out below:
 - o A purchaser (or, if a joint purchase, all the purchasers) of a First Home should be a first-time buyer as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers.
 - o Purchasers of First Homes, whether individuals, couples or group purchasers, should have a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) in the tax year immediately preceding the year of purchase.

Also, a purchaser of a First Home should have a mortgage or home purchase plan to fund a minimum of 50% of the discounted purchase price.

The discount of a minimum of 30% against the market value for First Homes is supported by the latest Housing Needs Assessment, 2022 which recognises that a balance needs to be struck between the different forms of affordable housing. The Ministerial Statement gives local authorities the discretion to require a higher minimum discount of either 40% or 50% from market value if they can demonstrate a need for this. Any further discount would need to be informed by local affordability criteria.

Appendix 2

Example Local Connection criteria means, in the following order of priority: -

- (a) A person living in the Parish of xx who has an appropriate housing need because such person's family size has increased.
- (b) A person living in the Parish of xx who wishes to transfer to a smaller property to release large accommodation to the housing market or rented housing sector.
- (c) A person living in the Parish of xx who wishes to transfer to a similar sized property.
- (d) A person who has previously lived in the Parish of xx for 5 or more years up to the age of 16.
- (e) A person who has for a minimum of 3 years prior to the purchase or occupation of any dwelling been in full or part-time employment (excluding seasonal employment) in the Parish of xx.
- (f) A person who has for up to 3 years prior to the purchase or occupation of any dwelling been in full or part-time employment (excluding seasonal employment) in the Parish of xx or has accepted an unconditional offer of full or part time employment (excluding seasonal employment) in the Parish of xx;
- (g) A person living in an adjoining ward who is subject to a planned management transfer based on medical welfare grounds.
- (h) A person living on the Isle of Wight who has an appropriate housing need because such person's family size has increased.
- (i) A person living on the Isle of Wight and who wishes to transfer to a smaller property to release large accommodation to the housing market or rented housing sector.
- (j) A person living on the Isle of Wight who wishes to transfer to a similar sized property.
- (k) A person who has lived on the Isle of Wight for 5 or more years up to the age of 16.
- (l) A person who has for a minimum of 3 years prior to the purchase or occupation of any dwelling been in full or part-time employment (excluding seasonal employment) on the Isle of Wight.
- (m) A person who has for up to 3 years prior to the purchase or occupation of any dwelling been in full or part-time employment (excluding seasonal employment) on the Isle of Wight or has accepted an unconditional offer of full or part time employment (excluding seasonal employment) on the Isle of Wight.

- (n) A person living on the Isle of Wight who is registered on Island Home Finder.
- (o) A person living on the Isle of Wight or any person the Council and the Affordable Housing Provider approve.

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