



South Gloucestershire:

Options for Establishing the Affordable Housing Requirement

November 2023

Introduction

1. South Gloucestershire Council appointed Opinion Research Services (ORS) to prepare a Local Housing Needs Assessment (LHNA).
2. The latest National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) sets out how Local Plans should provide for objectively assessed needs for housing (including affordable housing). The LHNA provides robust evidence about the need for housing over the period 2025-2040.
3. As part of that assessment the need for rented affordable housing is derived on a policy neutral (“policy-off”) basis. As a consequence, affordable housing need is assessed on the basis of the number of households receiving assistance with their housing costs through housing benefit-support remaining constant. However, as a matter of policy, a local authority may aspire to reduce the number of housing benefit claimants living in private rented housing, through providing more affordable homes to rent. Such a policy objective would not change the objectively assessed need for affordable housing, but it would increase the affordable housing requirement.
4. South Gloucestershire Council recognise that the number of housing benefit claimants living in private rented housing is currently higher than it was before the Covid pandemic, and they aspire to reduce the number of properties rented by claimants over the local plan period 2025-2040. This paper considers the options for achieving that goal and the associated implications for the overall “policy on” housing requirement.
5. Reducing the number of housing benefit claimants renting privately would require higher levels of rented affordable homes to be delivered than the affordable housing need identified by the LHNA, given that the assessment assumed that the number of claimants would remain constant. The specific target would inevitably depend on a range of factors and will need to be set at a level that can realistically be achieved given the wider local circumstances. However, the aspiration would be to return to pre-Covid levels and that is likely to require the number of private rented dwellings currently occupied by housing benefit claimants to reduce by around a quarter. The Council is therefore considering a draft housing requirement policy that sets out to accomplish that aim.
6. This document sets out the affordable housing requirement that results as a consequence of that aspiration, to make clear the link between the proposed affordable housing policy target, the affordable housing need identified by the LHNA, and the objective to achieve a 25% reduction in the number of properties rented by housing benefit claimants in the private rented sector.

Housing Need

7. The 15-year plan period under discussion runs from 2025-2040. The LHNA sets out the needs for the affordable and market housing 2025-40 in Figure 45, summarised below in Figure 1. Note that affordable housing need comprises 3,264 rented and 2,215 affordable to own.

Figure 1: Adapted from LHNA Figure 45: Overall need for Market and Affordable Housing in South Gloucestershire 2025-40 by property type and size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Affordable Housing to Rent	Affordable Homeownership	Total Affordable Housing	Total Market Housing	Total Housing
Number of Dwellings					
1 Bedroom Flat	553	355	908	247	1,156
2+ Bedrooms Flat	298	690	988	314	1,302
1-2 Bedrooms House	728	389	1,117	2,233	3,349
3 Bedrooms House	1155	681	1,836	8,541	10,378
4 Bedrooms House	408	83	491	2,901	3,392
5+ Bedrooms House	121	17	138	327	465
ALL DWELLINGS	3,264	2,215	5,478	14,564	20,042
Allowance for C2 provision (equivalised)	-	-	-	-	448
TOTAL HOUSING NEED	3,264	2,215	5,478	14,564	20,490
Percentage of Dwellings (excludes C2)					
1 Bedroom Flat	2.8%	1.8%	4.5%	1.2%	5.8%
2+ Bedrooms Flat	1.5%	3.4%	4.9%	1.6%	6.5%
1-2 Bedrooms House	3.6%	1.9%	5.6%	11.1%	16.7%
3 Bedrooms House	5.8%	3.4%	9.2%	42.6%	51.8%
4 Bedrooms House	2.0%	0.4%	2.4%	14.5%	16.9%
5+ Bedrooms House	0.6%	0.1%	0.7%	1.6%	2.3%
ALL DWELLINGS	16%	11%	27%	73%	100%
Affordable Housing Need	60%	40%	100%	-	-

8. For clarity and ease of comparison with later tables in this document, the total dwellings contained in Figure 1 are reproduced in Figure 2 below:

Figure 2: Total dwelling need from the South Gloucestershire LHNA (Source: LHNA Figure 45. Note: Figures may not sum due to rounding)

	Affordable to Rent	Affordable Homeownership	Total Affordable Housing	Total Market Housing	Total Housing
Total Housing Need: All Dwellings	3,264	2,215	5,478	14,564	20,042
Percentage of All Dwellings	16%	11%	27%	73%	100%
Percentage of Affordable Housing Need	60%	40%	100%	-	-

9. The LHNA establishes that to meet affordable housing need in a policy-off manner (i.e. without impacting the housing benefit supported private rented sector), a 60%-40% split of rented affordable to affordable homeownership is needed, totalling 5,478 affordable dwellings over the 15-year period.
10. As stated in the introduction, the above figures represent a “policy off” position, i.e. the affordable need set out is neutral regarding the number of housing benefit claimants in South Gloucestershire, it seeks neither to increase nor decrease the number. However, it is the case that South Gloucestershire could seek to decrease the number of housing benefit claimants living in private rented housing through a policy position that resulted in the affordable housing requirement seeking to provide more affordable housing than the need figure indicates.
11. The LHNA discusses this in paragraphs 4.43 and 4.44:

4.43 The approach taken by the LHNA is policy neutral, assuming no change in the number of claimants. Evidently, it would be a policy-on position to assume that the position was going to radically change, so that could not form part of the assessment of need. However, when establishing the affordable housing requirement – i.e. a figure which also reflects any policy considerations – a local planning authority could seek to reduce the number of households rented privately in receipt of housing benefit as a policy aspiration. That wouldn't change the need, but it could influence the affordable housing policy target.

*4.44 Given this context, it will be necessary for the local authority to plan for the needs of **all** households unable to afford to rent or own market housing if they are going to avoid the number of housing benefit claimants living in private rented housing increasing. However, in determining the affordable housing requirement, the authority may want to consider a local policy target to reduce the number of households living in private rented housing who rely on housing benefit – but this could only be achieved after the affordable housing need that has been identified has been met in full.*

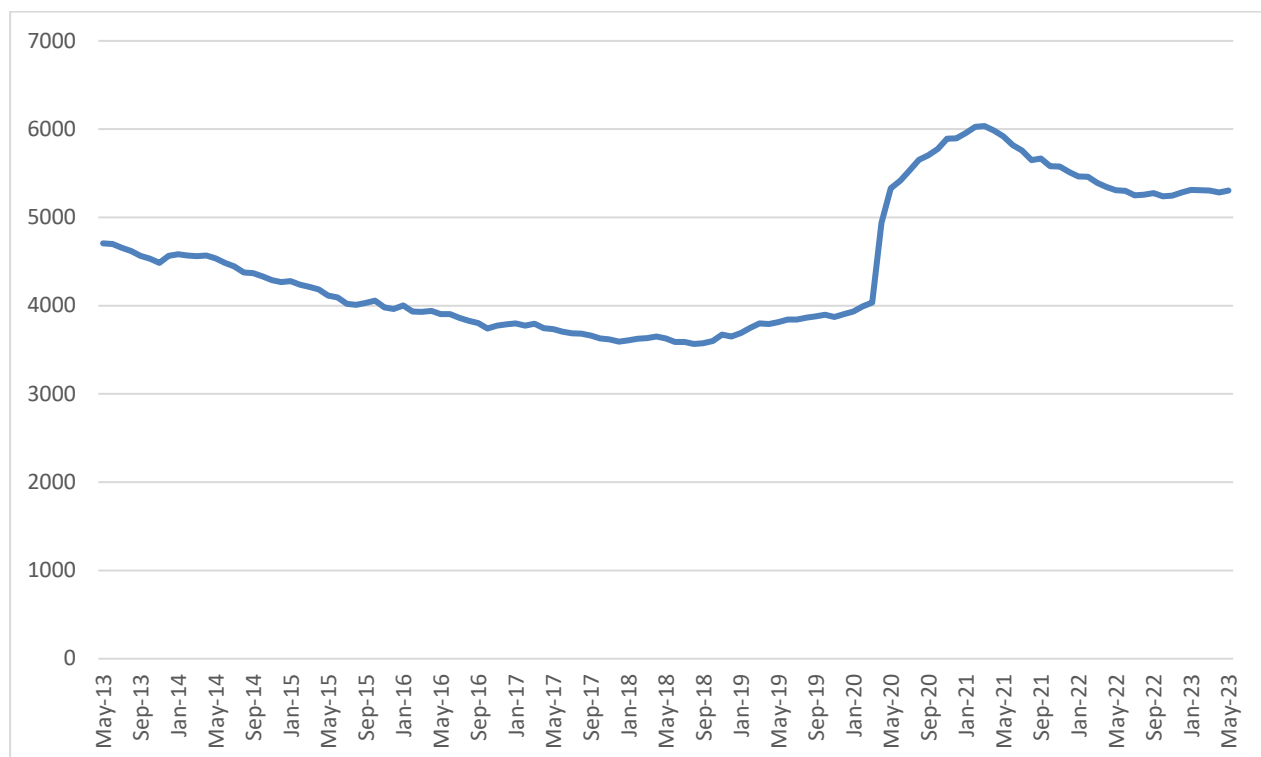
South Gloucestershire Local Housing Needs Assessment 2023

12. The above makes clear the distinction between “housing need” (a policy neutral assessment of the housing needs of the area, consistent with the National Planning Policy Framework and associated Planning Practice Guidance – the “policy-off” position) and a “housing requirement” (a housing target set via local plan policy that takes into account the findings of the LHNA, local restrictions and other policy considerations – the “policy-on” position).

Housing Benefit Claimants in South Gloucestershire

13. According to the most up-to-date figures available, as of May 2023 there were 5,304 housing benefit claimants living in the private rented sector in South Gloucestershire. This figure combines both housing benefit claimants and those claiming universal credit with a housing benefit component. Where the term “housing benefit claimants” is used throughout the rest of this note, it should be understood to include those persons claiming universal credit with a housing benefit component.
14. Between May 2013 (10 years before the latest available figures) and March of 2020, the number of housing benefit claimants in South Gloucestershire’s private rented sector averaged just under 4,000. The total steadily declined from around 4,700 in May 2013, to a low of 3,600 in August 2018. Between August 2018 and March of 2020, there was a slight increase, back up to just over 4,000 claimants. This number increased by over 900 persons in the next month, and continued to increase, as Covid shutdowns impacted the area. At its peak in March 2021, there were over 6,000 housing benefit claimants.
15. Since the Covid pandemic, the number of claimants declined to around 5,300 by April 2022 but there has been limited change since, with the number of claimants being around a third higher than it was immediately before the pandemic (Figure 3):

Figure 3: Housing benefit claimants in South Gloucestershire May 2013 – May 2023



16. The number of private rented properties occupied by the current 5,300 claimants is around 4,800 dwellings. The two numbers are not the same as multiple claimants may be occupying single rooms in (for example) a s257 HMO or similar, meaning the number of dwellings is lower than the number of housing benefit claimants.
17. Figure 4 disaggregates the properties occupied by housing benefit claimants by property type and size (in terms of the number of bedrooms):

Figure 4: Estimated number of Housing Benefit Claimant Occupied Properties in South Gloucestershire by bedroom size (Source: ORS modelling informed by Census 2021, ONS Household projections and DWP data. Note: Figures may not sum due to rounding)

	Dwellings occupied by households in receipt of HB within the PRS	Percentage
1 Bedroom Flat	292	6%
2+ Bedrooms Flat	457	9%
1-2 Bedrooms House	1,080	22%
3 Bedrooms House	1,961	41%
4 Bedrooms House	847	18%
5+ Bedrooms House	196	4%
TOTAL	4,833	100%

18. On the basis that the current number of properties is also likely to be around a third higher than before the pandemic, the increase in properties would represent around 1,200 of the 4,800 dwelling total. Therefore, to return to the previous level would require a reduction of around 25%, with the number of private rented properties occupied by housing benefit claimants falling from 4,800 to around 3,600 dwellings, a reduction of approximately 1,200¹ dwellings over the 15-year period.

Housing Requirement

19. South Gloucestershire Council is considering a policy decision that would seek to return the number of dwellings that are occupied by housing benefit claimants in the private rented sector back to pre-Covid levels, a level which has historically proven to be sustainable in the area.
20. To achieve this goal, affordable housing would have to be provided for these claimants that would be additional to the objectively assessed affordable housing need identified by the LHNA (which assumed no change in the number of claimants). As all of these households have been assessed to need financial support from housing benefit to enable them to afford market housing, all of the additional housing would necessarily have to be provided as affordable housing for rent.
21. The aspiration to reduce the number of dwellings occupied by housing benefit claimants in the private rented sector to pre-Covid levels would therefore require a policy that increases the requirement for rented affordable housing to a level approximately 1,200 dwellings higher than the policy-neutral affordable housing need calculated by the LHNA.

¹ 25% of 4,833 = 1,208; 4,833 reduced by 1,208 = 3,625 dwellings.

22. Providing this additional rented affordable housing would not change the overall number of homes needed in the area, as these households were already counted within the overall housing need. However, providing extra affordable homes would enable them to vacate the private rented homes that they would have otherwise occupied. Therefore, the need for additional market housing that was identified by the LHNA would reduce by an equivalent amount.
23. Figure 5 summarises the impact of the proposed policy on determining the housing requirement in the context of the housing need that was established by the LHNA.

Figure 5: Proposed South Gloucestershire subdivision of local housing requirement (Source: LHNA Figure 45 updated to reflect SG proposed affordable housing policy. Note: Figures may not sum due to rounding)

	Affordable to Rent	Affordable Homeownership	Total Affordable Housing	Total Market Housing	Total Housing
Housing Need identified by the LHNA	3,264	2,215	5,478	14,564	20,042
Impact of the policy	+1,208	0	+1,208	-1,208	0
Housing Requirement based on the policy	4,472	2,215	6,686	13,356	20,042
Percentage of All Dwellings	22%	11%	33%	67%	100%
Change from LHNA distribution of Housing Need	+6%	-	+6%	-6%	-
Percentage of Affordable Housing Requirement	67%	33%	100%	-	-
Change from LHNA distribution of Housing Need	+7%	-7%	-	-	-

24. As was illustrated in Figure 2, the policy-off need for affordable housing is split 60%-40% between affordable to rent and affordable to own. The impact of the proposed policy goal results in the affordable housing requirement being split 67%-33%; with the affordable housing to rent component increasing by 1,208 homes (from 3,263 to 4,471) but with no change in the affordable homeownership total of 2,214 dwellings. As illustrated in Figure 5, this increase of 1,208 affordable dwellings to rent would be complemented by a reduction of 1,208 market housing dwellings, so the overall housing requirement would remain the same as the local housing need of 20,042 dwellings that was identified for the 15-year period (1,336 dwellings per annum).
25. As a proportion of overall housing, the policy-based increase in affordable housing to rent would increase the total affordable housing from the “policy-off” need of 27% of all C3 housing enumerated in the LHNA, to a “policy-on” affordable housing requirement of 33% (Figure 5).

26. Assuming that the distribution of bedroom sizes amongst the extra 1,208 affordable homes follows that of the current proportions of dwellings in the private rented sector occupied by housing benefit claimants (in terms of property type and size) from Figure 4, then the resulting net reduction in housing benefit supported private rented dwellings is set out in Figure 6:

Figure 6: Reduction in housing benefit supported-private rent 2025-40 based on SG proposed affordable housing policy (Note: Figures may not sum due to rounding)

	Dwellings currently occupied by households in receipt of HB within the PRS	Impact of the Proposed Policy	Remaining Dwellings	Percentage
1 Bedroom Flat	292	-73	219	6%
2+ Bedrooms Flat	457	-114	343	9%
1-2 Bedrooms House	1,080	-270	810	22%
3 Bedrooms House	1,961	-490	1,471	41%
4 Bedrooms House	847	-212	635	18%
5+ Bedrooms House	196	-49	147	4%
TOTAL	4,833	-1,208	3,625	100%
Percentage	100%	-25%	75%	-

27. Figure 6 also confirms that the proposed policy would result in an overall reduction in housing benefit-supported private rent of 25%, (lowermost row), which reflects the Council's aim.

Impact on Overall Housing Mix

28. Considering the impact of these extra dwellings on the housing mix identified by the LHNA (Figure 1) there would be an increase in the requirement for affordable housing to rent with an equivalent reduction to the requirement for market housing as shown in Figure 7:

Figure 7: Overall housing requirement for Market and Affordable Housing in South Gloucestershire 2025-40 by property type and size, based on meeting the housing need identified by the LHNA in full and also achieving the objective of the proposed policy to reduce the number of housing benefit claimants living in the private rented sector (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Affordable Housing to Rent	Affordable Homeownership	Total Affordable Housing	Total Market Housing	Total Housing
Number of Dwellings					
1 Bedroom Flat	626	355	981	174	1,156
2+ Bedrooms Flat	412	690	1,102	200	1,302
1-2 Bedrooms House	998	389	1,387	1,963	3,349
3 Bedrooms House	1,645	681	2,326	8,051	10,378
4 Bedrooms House	620	83	702	2,689	3,392
5+ Bedrooms House	170	17	187	278	465
ALL DWELLINGS	4,472	2,215	6,686	13,356	20,042
Allowance for C2 provision (equivalised)	-	-	-	-	448
TOTAL HOUSING NEED	4,472	2,215	6,686	13,356	20,490
Percentage of Dwellings (excludes C2)					
1 Bedroom Flat	3.1%	1.8%	4.9%	0.9%	5.8%
2+ Bedrooms Flat	2.1%	3.4%	5.5%	1.0%	6.5%
1-2 Bedrooms House	5.0%	1.9%	6.9%	9.8%	16.7%
3 Bedrooms House	8.2%	3.4%	11.6%	40.2%	51.8%
4 Bedrooms House	3.1%	0.4%	3.5%	13.4%	16.9%
5+ Bedrooms House	0.8%	0.1%	0.9%	1.4%	2.3%
ALL DWELLINGS	22%	11%	33%	67%	100%
Affordable Housing Need	67%	33%	100%		-

29. Overall, the data indicates that the policy being considered by South Gloucestershire Council to reduce the size of the housing benefit-supported private rented sector by around a quarter would result in a requirement for 33% of all additional dwellings to be provided as affordable housing, with a requirement for 67% of all affordable homes provided as housing for rent and 33% delivered as affordable homeownership.

30. Figure 8 shows the percentages of affordable homes by bedrooms represented in the lower half of Figure 7, but as percentage of the overall affordable housing requirement (6,686 dwellings):

Figure 8: Adapted from LHNA Figure 45: Categories of Affordable Housing a percentage of proposed total Affordable Housing Requirement in South Gloucestershire 2025-40 by property type and size with proposed policy-based uplift applied (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Affordable Housing Requirement for Rented Affordable	Affordable Housing Requirement for Affordable Homeownership	Total Affordable Housing
Percentage of Affordable Housing			
1 Bedroom Flat	9.4%	5.3%	14.7%
2+ Bedrooms Flat	6.2%	10.3%	16.5%
1-2 Bedrooms House	14.9%	5.8%	20.7%
3 Bedrooms House	24.6%	10.2%	34.8%
4 Bedrooms House	9.3%	1.2%	10.5%
5+ Bedrooms House	2.5%	0.3%	2.8%
Affordable Housing	67%	33%	100%

Conclusion

31. The evidence indicates that South Gloucestershire’s aspiration to reduce the number of properties rented by housing benefit claimants in the private rented sector to pre-Covid levels is likely to require the number to reduce by around a quarter. This could be achieved by establishing a housing requirement in the local plan that results in the delivery of around 1,200 additional units of affordable housing to rent, over and above the baseline need for affordable housing to rent enumerated in the LHNA.
32. This additional affordable housing to rent would not change the overall number of homes needed in the area, as the private rented homes that these households would have otherwise occupied will be vacated, thereby reducing the additional market housing needed by an equivalent amount.
33. Housing policies in local plans are typically set out as percentages (e.g. “30% of all units on qualifying sites must be affordable homes”). This impact of this draft policy would be to change the balance between affordable and market housing from the LHNA “policy off” proportions of 27% affordable and 73% market to a “policy on” housing requirement of 33% affordable and 67% market (Figure 7, penultimate row).
34. As a consequence of the policy-based increase that is being considered, the relative proportions of affordable to rent and affordable to own properties change, from 60%-40% of the total affordable housing need (in the LHNA), to 67%-33% of the total affordable housing requirement (Figure 7, lowermost row).
35. If the Council was to implement the draft policy, it should be mindful that in practice some developments will not result in 33% affordable housing being delivered. For example, small sites below the site size threshold for the policy would remain exempt from the affordable housing target and very few would deliver any affordable housing. Equally, other sites may deliver more than 33% affordable housing, such as developments of 100% affordable housing. The wording of the draft policy and level of the associated proposed target should therefore be careful to take these exceptions into consideration, to ensure that 33% of all new dwellings can be delivered over the 15-year local plan period.



Opinion Research Services, The Strand, Swansea SA1 1AF
Jonathan Lee, Nigel Moore, Scott Lawrence, Hugo Marchant, Hanna Lloyd, Elliot Muldoon
enquiries: 01792 535300 · info@ors.org.uk · www.ors.org.uk

© Copyright November 2023