

Information Paper

Overview and Scrutiny Committee

6th September 2021

Housing Delivery Strategy/Development Delivery

Update

1. Why has this come to scrutiny?

- 1.1** This note comes to the Overview and Scrutiny Committee at the request of members of that committee. It provides an update on the Council's role in the direct housing delivery in Cheltenham, along with a broader update on the concept of delivery of development (housing, commercial, public realm etc) by the Council.

2. Summary of the Issue

- 2.1** Cheltenham Borough Council has set an ambitious vision that involves a considerable development agenda, including the Golden Valley Development, a step change in housing delivery including an increase in the number of affordable homes and the raising of standards – in particular environmental / sustainability. This is set in the context of a climate emergency and a pledge to make Cheltenham carbon neutral by 2030. There are also a number of other Covid-19 economic recovery and regeneration projects including the Minster Exchange, public realm schemes, the cultural quarter; as well as the development potential of a number of key CBC assets to deliver wider socio-economic outputs, contribute to the place shaping agenda and support delivery of other corporate priorities and the Council's Medium Term Financial Strategy (MTFS).

- 2.2** Housing delivery will play an important role in this overall development agenda and will likely be a key component of schemes brought forward on CBC land. The Housing, Homelessness & Rough Sleeping Strategy 2018-23 was approved by CBC Cabinet in July 2018. This strategy sets out a range of objectives aimed at tackling housing inequality in Cheltenham. In late 2018, the Cabinet and Council unanimously agreed to commit £100m to provide a step change in housing delivery, and since that time a number of important events have taken place:

- In 2019 the Council declared a Climate Emergency and pledged to make Cheltenham Carbon Neutral by 2030.
- Land at the Golden Valley Development has been procured and the project has now reached a key point with the appointment of a preferred bidder and clear proposal bringing forward a considerably higher quantum of development than was originally envisaged on Council land – in particular c. 800 more homes than originally envisaged, now proposing c.1,500 homes of which c.500 will be affordable, with further opportunity to develop build to rent stock.
- The ability for local authorities to borrow funds through the Housing Revenue Account (HRA) to develop affordable housing stock was significantly enhanced at the end of 2018 when the borrowing headroom cap was removed.
- The HRA Capital Programme 20/21 – 23/24 was approved in February 2021, with an anticipated capital spend on new housing developments in the order of £75m.
- CBC and CBH have agreed a development facility and funding agreement to deliver PRS housing, and CBH have commenced work in this area, with the first PRS homes to be completed in the coming months.
- Covid-19 and the Council's Covid-19 recovery plan reinforcing the focus on the Council's role in economic recovery through development.
- The Council's Asset Management Plan is being reviewed to ensure it aligns with the Council's corporate objectives
- The Campbell-Tickell review undertaken in 2020 identifying the scope for closer working between CBC and CBH focused around a clear shared vision enabling more efficient use of our collective resources.

- And finally the CBC organisational review – which is shaping the organisation to more effectively support the delivery of Council priorities and make most efficient use of resources.

These events are shaping the way in which the Council together with CBH directly deliver new homes.

2.3 The Asset Management Plan is now under review and will be presented for consideration in the winter of 2021/22. This overarching plan will set the framework within which all Council assets are managed in line with corporate objectives. Housing delivery will form an important component of the Council's approach to asset management. A housing delivery strategy will be presented alongside the Asset Management Plan and will cover:

- Purpose, aims and objectives – aligned to Corporate Objectives
- Responding to the Climate Emergency
- Councils role in housing delivery including types of homes to be delivered and rationale
- Delivery Mechanism
- Governance
- Risk Management

2.4 The types of homes the Council is/is considering delivering in partnership with CBH fall under four broad categories:

- Affordable housing –to address the housing needs of those who require affordable housing
- Estate Regeneration –to enhance existing pockets of HRA stock requiring upgrades
- Private Rental Stock –to cater for a growing market, helping to retain and attract young people, providing a high landlord standard, bridging the gap between affordable and open market housing
- Open Market Sales – to create mixed communities on some of the sites the Council develops whilst making a return to reinvest

2.5 A range of models for delivery have been considered. The model now being pursued is a collaborate approach between CBC and CBH. CBC have recently established a small resource base to manage major development projects including the Golden Valley development, whilst CBH have an established delivery team principally responsible for new affordable home development and acquisitions. These resources will continue to work closely together to deliver new housing.

2.6 Subject to relevant restrictions, the way in which new homes are being built, delivered and/or procured includes as follows:

Affordable Homes (via HRA*)	HRA Estate Regeneration
<p>Development of assets already held in the HRA – likely Design and Build Contracts</p> <p>Acquisition of s106 properties</p> <p>Acquisition of new land for development (likely Design and build post acquisition)</p> <p>Buy backs of former RTB properties and acquisitions on the open market</p>	<p>Identification of priority estates, costs, scheme and funding availability.</p>
PRS (to cover a range of accommodation types)	Open Market Housing (in order as follows)
<p>Continue small scale acquisition of PRS from open market (short term)</p> <p>Self-development and delivery of PRS stock (long term including Golden Valley) – this is a more cost effective means of delivery providing more beneficial returns.</p>	<p>Full review and development of assets already under the control of CBC. Options for ‘development’ to include:</p> <ul style="list-style-type: none"> • Site promotion and disposal (at best value) • Joint Venture agreements (various) <p>Further site acquisition and JV delivery</p>

* - *The HRA Capital Programme 2020/21 – 2023/24 was approved in Feb 2021 with an estimated spend on New Build and Acquisition of c.£75m over that time period.*

- 2.7** The positive impact of the GV Development on the Council's broader ambitions for housing delivery should not be underestimated. It is important to note that CBC's role in the GVD is now providing a much higher number of residential units than was originally envisaged (initially c. 800 additional units of which c. 300 affordable homes to c.1,500 homes of which 520 will be affordable homes). If this were delivered via the market – that certainty would not exist. It also creates a significant opportunity for Build to Rent – providing purpose built stock that can be designed to meet the varying needs of the market. The Council's involvement provides the opportunity to raise the bar for environmental/green credentials and create highly sustainable communities.
- 2.8** Design standards and sustainability will be a key component of the Council's programme of housing delivery, offering the potential to achieve higher levels of sustainability and design and striving for schemes to be tenure blind and carbon neutral.
- 2.9** Risk is and will continue to be managed via appropriate officer, Councillor and board member overview and analysis. Financial returns made through housing delivery will be retained by the authority to be spent as appropriate.

3. Summary of evidence/information

- 3.1** Since the Council commitment to spend up to £100m was given in 2018, significant

progress has been made to realise our development aspirations as follows:

- Delivered to date and in contract via CBH – 250 homes
- Established a significant development pipeline to provide a further 200 homes (including acquisitions)
- The 450 homes identified above totals approximately £80m of spend and includes 80 homes already delivered by 31 March 2021
- Other potential opportunities of 300 homes totalling c£50m of spend
- 13 PRS units to open in the Autumn of 2021

Through the Golden Valley development, the opportunity to:

- Acquire up to 170 PRS in early phases of development
- Acquire up to 520 affordable homes through the HRA

3.2 The role of the Council as facilitator of new home delivery should not be underestimated. Through the planning process the Council allocated land and work with the development industry to ensure appropriate development is delivered. Through the Council's own sites (including Golden Valley) new housing is provided which provides the opportunity to set high standards of design and sustainability.

4. Next Steps

4.1 The Asset Management Plan is now under review and will be presented for consideration in the winter of 2021/22. This overarching plan will set the framework within which all Council assets are managed in line with corporate objectives. Housing delivery will form an important component of the Councils approach to asset management. The above sets out the overall context and content of that housing delivery plan.

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