

Appendix 2c

CBC and CBH approach to PRS

1. Background

Cheltenham Borough Council (CBC), in partnership with Cheltenham Borough Homes (CBH), is now looking to expand its supply of homes in the private rented sector across Cheltenham.

Nationally, we are in the midst of a housing crisis and Cheltenham is not immune to the housing shortages affecting the whole country. Although Cheltenham is a successful, prosperous, and vibrant town, many people struggle meeting their housing needs in our local communities. So, in addition to building more desperately needed affordable housing for people in Cheltenham and improving the quality of our existing homes, we, together with CBH, will be providing more homes for people on a private rent basis giving them security of tenancy from a high quality, respected landlord on longer term lets.

These homes will be funded by CBC (as part of the Council's £180m housing investment plan), owned by CBH, and provided for private rent tenure.

2. Success to date

In December 2020, CBH, on behalf of CBC, were successful in securing its first private rented venture. This represented an off the shelf bulk purchase of a block of flats subsequently refurbished and reconfigured to provide 13 individual apartments in the town centre. This opportunity met the required financial parameters and provided a range of 1 and 2 bedroom homes, which were in highest demand within the town centre thereby meeting local housing need.

CBH secured significant interest for these properties with all properties occupied within 3 months upon completion. Feedback has been very positive and the experience has put both CBC and CBH in good stead to incorporate lessons learned to inform the future approach.

3. Looking ahead

CBC, with support from CBH, is well placed to continue pursuing PRS as a tenure choice having entered this market, albeit on a small scale presently. As the economic landscape has changed since we initially established this venture it is considered timely for CBC, in partnership with CBH, to refresh the original financial and operational parameters that were agreed as part of the original £180m housing investment plan, to ensure that the relative benefits can be balanced against the associated risks.

In order to realise CBC's ambition of delivering PRS homes within the Borough, a number of potential routes are being explored and include:

- Individual property acquisitions – a challenging route in terms of financial viability however CBC and CBH are committed to reviewing the financial parameters to ensure that we have the best opportunity possible to secure new acquisitions from such opportunities. This review will include an exploration of the viability of providing houses for multiple occupancy (HMOs)
- Bulk property purchases - with the potential to deliver financial viability driven by economies of scale – as was the case with the aforementioned bulk purchase of a block of flats refurbished and reconfigured to provide 13 individual apartments in the town centre

- Bulk purchases from S106 developers - with the intention of securing discounts against market value
- Securing PRS on future mixed tenure developments driven by CBC in collaboration with CBH - on CBC owned land
- Bulk purchase (and hence economies of scale) of property developed on the Golden Valley Development. The opportunities arising from the positive impact of the Golden Valley development to assist in realising the Council's broader ambitions for housing delivery are acknowledged, which includes facilitating not only high-quality mixed-use development, but also ensuring appropriate and sustainable development is delivered.

Following a review of both the various options available to increase our PRS offer and the associated financial viabilities, we will set out an updated CBC strategic approach to PRS delivery, aligning with the budget papers for 2024/25.