

# Information/Discussion Paper

## Overview & Scrutiny Committee

Monday 25<sup>th</sup> November 2024

### Understanding Barriers to Affordable Housing Delivery

This note contains the information to keep Members informed of matters relating to the work of the Committee, but where no decisions from Members are needed.

---

#### 1. Why has this Discussion Paper come to Overview & Scrutiny?

The Overview and Scrutiny Committee have asked for an update on affordable housing delivery in Cheltenham, along with an examination of the barriers and opportunities relating to the delivery of affordable housing.

This paper will therefore focus on the following:

- [Past and future projected affordable housing delivery in Cheltenham](#)
- [Barriers limiting affordable housing delivery](#)
- [How is Cheltenham addressing barriers to affordable housing delivery?](#)
- [Opportunities to increase affordable housing delivery](#)
- [National Affordable Housing Delivery Best Practice](#)
- [Other Council initiatives currently under consideration](#)

#### 2. Summary of the Issue

Increasing Affordable housing delivery is a key corporate priority for Cheltenham Borough Council, as set out in our [2023-27 Corporate Plan](#) and [Housing, Homelessness and Rough Sleeping Strategy 2023-28](#).

The council works actively to increase affordable housing delivery across the Borough, with a summary of key activities undertaken being found within our latest [Housing Strategy Action Plan Update \(2024\)](#).

The current Government affordable housing definition covers homes for rent, discounted market sale and affordable home ownership. This is found on page 67 of the latest [National Planning Policy Framework \(NPPF\)](#).

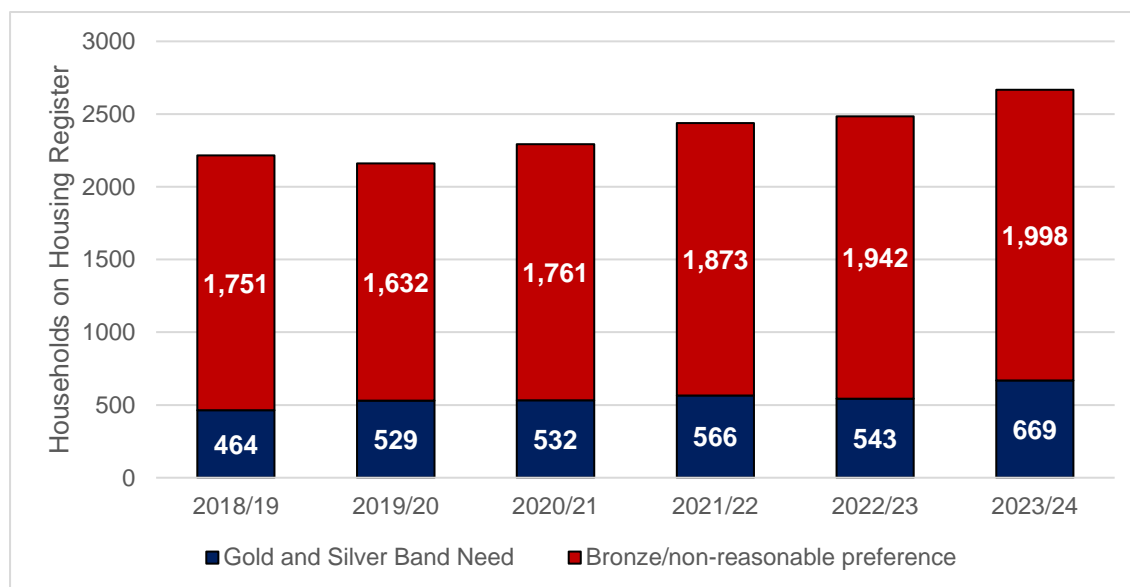
Cheltenham’s primary affordable housing policy ([Joint Core Strategy](#) Policy SD12: Affordable Housing) states that on sites of 11 homes or more in Cheltenham, 40% on-site affordable housing will be sought. Within the Strategic Allocations (which for Cheltenham include West Cheltenham and North West Cheltenham), 35% on-site affordable housing will be sought.

### 3. Past and Projected Future Affordable Housing Delivery

The [2020 Gloucestershire Local Housing Needs Assessment](#) (LHNA) identifies that Cheltenham has an affordable housing requirement of 194 affordable homes per year. This figure is separate from the 5 Year Housing Land Supply requirements.

In addition, an annual snapshot from our housing register is found in Figure 1 below. This clearly shows that there are growing affordable housing pressures locally. This mirrors wider national pressures.

Figure 1- Cheltenham Borough Rented Affordable Housing Need from 01 April 2018 to 31 March 2024:

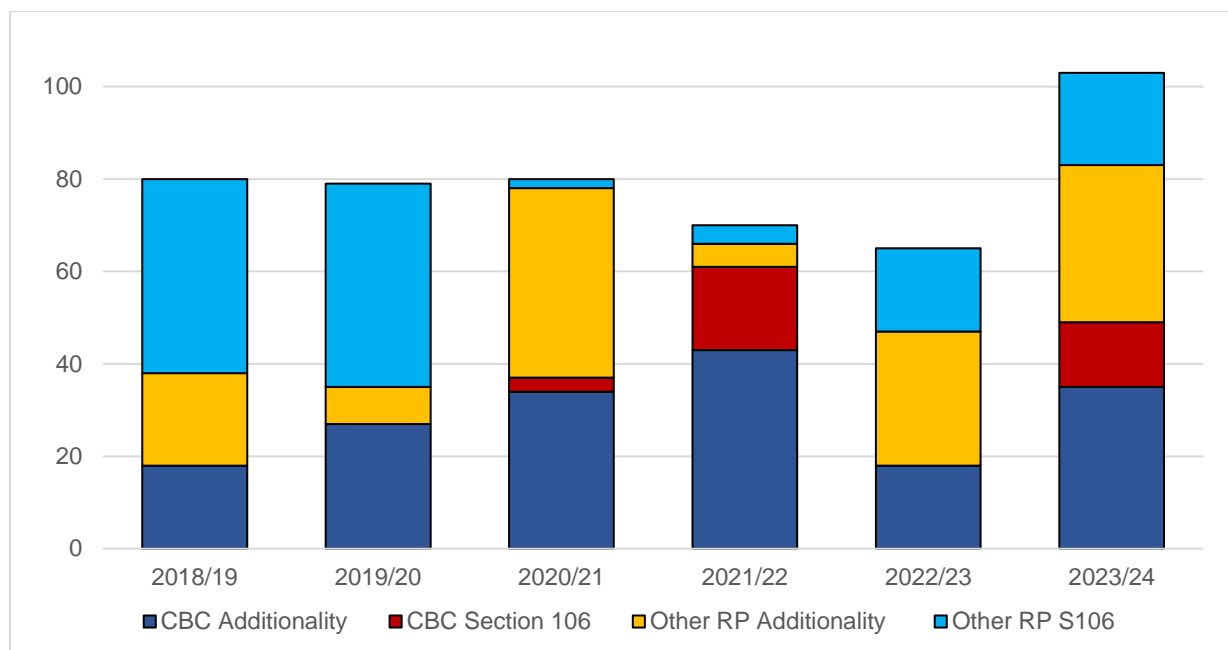


A key strategic priority within the council’s [Housing, Homelessness and Rough Sleeping Strategy](#) is to support affordable housing delivery over and above that which would otherwise be provided by market forces alone. We call this delivery ‘additionality’.

Over the last 6 years to March 2024, 477 affordable homes have been delivered in Cheltenham. Of these, 312 affordable homes were delivered as ‘additionality’. The remaining 165 affordable homes delivered via Section 106 agreements.

This delivery is captured visually in Figure 2 below.

Figure 2- Affordable Housing delivery by source in Cheltenham Borough from 1 April 2018 to 31 March 2024:



Additional details about the actual number of affordable homes delivered each year is provided in Table 1, below.

Table 1- Affordable Housing Delivery in Cheltenham Borough from 1 April 2018 to 31 March 2024:

Financial Year	CBC Additionality	CBC Section 106	Registered Provider Additionality	Registered Provider Section 106	Total Affordable Homes
2018/19	18	0	20	42	80
2019/20	27	0	8	44	79
2020/21	34	3	41	2	80
2021/22	43	18	5	4	70
2022/23	18	0	29	18	65
2023/24	35	14	34	20	103
<b>TOTAL</b>	<b>175</b>	<b>35</b>	<b>137</b>	<b>130</b>	<b>477</b>

It follows that delivery falls short of the council’s annual 194 affordable housing requirements referred to in section 3.1 above, despite significant efforts to boost delivery (which we will address in [Section 5](#), below). It should be noted, however, that these challenges are not unique to Cheltenham.

Table 1 also shows how direct intervention through the Council’s Housing Revenue Account (HRA) has made a significant contribution to affordable housing supply within our Borough.

The council has directly delivered 210 affordable homes from April 2018 to March 2024, equating to 44% of overall affordable housing delivery. 175 of these council-owned affordable homes (83%) have been delivered as ‘additionality’, the majority of which (i.e. 138) have come about through the council’s buyback acquisitions programme.

In terms of future affordable housing delivery, Table 2 (below) sets out our projected delivery trends to March 2030. These projections are highly speculative, as they assume that future planning applications will secure planning permission and that developers will start on site with little or no delay.

These projections also assume that all Cheltenham Borough Council projects can secure external funding (where required) and that Cheltenham Borough Council's buyback programme will deliver 25 acquisitions per annum until 2027/28. Members should note that this table includes projected delivery on the Strategic Allocations which are invariably highly complex sites.

It should also be noted that Table 2 includes affordable homes that fall within Tewkesbury Borough as part of the cross boundary Strategic Allocations. These homes will be allocated through a dual local connection between Cheltenham and Tewkesbury Borough. This means that those households with the greatest need across both districts will be prioritised for allocation.

Table 2- Projected Affordable Housing Delivery by source in Cheltenham Borough from 1 April 2024 to 31 March 2030:

Financial Year	AH Delivery:	Council AH delivery	Registered Providers	Registered Providers (to be confirmed)
2024/25	160	36	124	0
2025/26	195	81	29	85
2026/27	414	71	106	237
2027/28	457	83	93	272
2028/29	279	18	29	232
2029/30	266	0	16	250
<b>Total</b>	<b>1,771</b>	<b>289</b>	<b>397</b>	<b>1,076</b>

Whilst the projected delivery of affordable homes in the above table is by no means certain, by comparison, Table 3 (below) is much more likely. This is because Table 3 only includes projected affordable housing delivery on current 'firm' sites (i.e. sites that have secured detailed planning permission, and where the developer has already started on site).

Table 3 Projected Affordable Housing Delivery on 'Firm' Schemes from 1 April 2024 to 31 March 2027:

Financial Year	AH Delivery:	Council AH Delivery	Registered Providers	Registered Providers TBD
2024/25	160	36	124	0
2025/26	109	69	11	29
2026/27	131	66	0	65

<b>Total</b>	<b>400</b>	<b>171</b>	<b>135</b>	<b>94</b>

In summary, therefore, whilst Table 3 reflects a much improved affordable housing supply picture compared to past affordable housing delivery ([as set out in Table 1](#)), the council is still anticipated to fall short of meeting the LHNA’s annual affordable housing requirements of 194 affordable homes/year.

#### **4. Barriers Limiting Affordable Housing Delivery**

The council faces numerous challenges when seeking to increase affordable housing delivery in line with our [2023-27 Corporate Plan](#) and [2023-28 Housing Strategy](#).

##### **4.1 Reliance on large, deliverable sites**

Cheltenham’s reliance on larger sites (both strategic & non-strategic allocations) is a critical factor impacting on the delivery of affordable homes, due to the complexity associated with large strategic developments.

These complexities have been worsened by uncertainty surrounding the M5 Junction 10 programme. This has led to delays in the planning process, and potential development restrictions arising from possible highways limitations prior to the Junction 10 build out.

Strategic schemes typically have very long lead in times to secure planning permission, however, times have been extended in the context of the West and North West Cheltenham strategic allocations compared to the Joint Core Strategy housing trajectories. This has had knock on impacts upon affordable housing supply coming forward.

As we prepare the Cheltenham, Gloucester and Tewkesbury Strategic and Local Plan (SLP), we will reflect on the learning from the strategic allocations and will review the mix of sites to address delays arising from complex schemes.

##### **4.2 Financial and Capacity restraints within the Housing Revenue Account**

Despite committing [£180m through the Council’s Housing Investment Plan](#) to increase affordable housing delivery, the council’s HRA has finite capacity.

This capacity is impacted by higher borrowing costs through the Treasury’s Public Works Loan Board (PWLB) (a Government-backed lending scheme used by councils to borrow money to finance new affordable housing delivery).

In practice, Registered Provider (RP) support will be essential to deliver affordable housing provision at scale.

##### **4.3 Increased Construction Costs and Section 106 issues**

Over recent years, construction costs have grown faster than wider inflation, resulting in an inevitable pressure on many planned developments.

This increase in costs has been driven largely through materials shortages, price of raw materials and labour shortages. All of these have come about as a result of the COVID-19 pandemic, Brexit and wider global issues.

In addition, changes to building regulations and national planning legislation, including the building regulations and national planning legislation, including Biodiversity Net Gain (BNG) and Suitable Alternative Natural Greenspace (SANG) have all added costs to new development. This may have an impact on viability, and this in turn could affect future affordable housing provision.

Some RPs are moving away from delivering Section 106 schemes due to perceived quality, design and risk issues, combined with high costs associated with improving existing stock. However, at present, the council is not aware of any local challenges experienced by developers in securing agreements with RPs to secure section 106 affordable housing.

#### **4.4 Increasing financial pressures faced by Registered Providers (RPs)**

RPs face a range of financial challenges, including costs associated with:

- refinancing and servicing debts (due to higher interest rates and increased sector risk) resulting in higher borrowing rates.
- meeting revised Consumer Standard compliance and new health and safety requirements.
- upgrading poorer performing social housing stock to meet an Energy Performance Certificate rating of 'C' by 2030.<sup>1</sup>

These pressures have reduced RP's financial resilience and debt cover, resulting in some large RP's cutting back their development pipelines, and instead concentrating on improving existing stock.

#### **4.5 Viability Challenges**

Viability can also reduce affordable housing supply.<sup>2</sup> Where the applicant cannot afford to deliver a policy compliant affordable housing requirement, our Joint Core Strategy (JCS) Policy SD12: Affordable Housing requires applicants to evidence this through an independently evaluated viability assessment.

From April 2012 to March 2018, a total of 357 on-site affordable homes were not delivered by developers evidencing viability challenges. This situation is not unique to Cheltenham.

---

<sup>1</sup> A thorough overview of pressures upon the housing association sector can be found in the [Regulator of Social Housing's October 2024 report on the Sector Risk Profile](#).

<sup>2</sup> Viability accounts for the cumulative cost of planning requirements, whilst ensuring that a developer can achieve a baseline profit level. Where this baseline profit level is unachievable, developers can submit viability assessments to seek to remove on-site affordable housing provision. Submitted viability assessments are independently tested by the Council.

In recent years, however, the position has improved. From April 2018 to March 2024 only 76 on-site affordable homes were not delivered as anticipated due to evidence presented through viability assessments.

#### **4.6 JCS Policies**

The JCS was informed by a viability assessment. Whilst the wording in our current policy creates opportunities for greater flexibility, it can also mean that securing accessible homes, and an appropriate range of property types to meet housing need is challenging.

The SLP provides an opportunity to consider new policies such as whether to introduce a policy requirement for accessible homes. A viability assessment will be undertaken to ensure that the SLP is deliverable and viable.

#### **4.7 Costs of Net-Zero Construction**

Whilst this is rightly a key corporate priority, Cheltenham's [Climate Emergency Declaration](#) and focus on delivering net-zero affordable homes also has the potential to adversely impact the financial viability of affordable housing delivery.

The government is also focussing on improving the energy efficiency of new-build homes through its new [Future Homes Standard](#). This will be an important stepping stone towards the [Government's 2050 net-zero target](#).

Whilst adopting net-zero requirements may lead to increased costs on current developments, in the medium to longer term it could lead to lower land values.

Positive work has taken place through the adoption of the [Climate Change Supplementary Planning Document](#), and we will be testing this further as we prepare the SLP.

### **5. How is Cheltenham addressing barriers to affordable housing delivery?**

#### **5.1 Ensuring there is a focus on 'additionality'**

The council enables 'additionality' through a variety of mechanisms, as set out below:

##### **5.1.1 Land-Led schemes (i.e. schemes developed directly by an RP)**

The council has secured Homes England grant funding to enable affordable housing 'additionality' on land-led schemes. Recent examples include Radford Court and 320 Swindon Road which have/or are anticipated to collectively deliver 30 affordable homes as additionality.

On land-led sites owned by other RPs, the council has engaged with them to support additionality. This includes Old Gloucester Road (Phase 1), Bouncers Lane and Douglas Equipment (all owned by Bromford Housing). These 3 sites combined will deliver 133 additional affordable homes over and above what would have been delivered by a private developer on a similar-sized Section106 scheme.

The council will seek to improve information-sharing with Gloucestershire One Public Estate to unlock potential development opportunities.

### **5.1.2 Acquisitions and buy backs**

The council has an ongoing buy-back programme. This programme aims to acquire up to 25 homes per year from the open market to boost affordable housing supply and reduce the impact of the Right to Buy scheme on overall council stock. Between April 2018 and March 2024, the council secured 117 affordable homes in this way.

The council also seeks to acquire entire schemes from the open market to boost affordable housing supply, especially where these schemes fall below affordable housing thresholds (10 units). A prime example is 8 x 2 bedroom social rented homes secured at Ingleborough Mews.

In addition, we are currently exploring another acquisition opportunity following plans by an RP to dispose of a small scheme.

The housing development team will continue to pursue feasible and financially prudent acquisition opportunities.

### **5.1.3 Reviewing potential sites across Cheltenham**

The council has undertaken significant work to identify potential sites for affordable homes delivery, including sites falling just under the affordable housing policy requirement thresholds. To date approximately 70 sites have been considered for delivery through the HRA, though around 50 of these were either subsequently secured by other parties, or considered to be unviable for affordable housing development. These findings were shared with the Council's Cabinet Member Working Group, which was set up to oversee delivery of affordable housing by our then housing management organisation, Cheltenham Borough Homes.

### **5.1.4 Making best use of our Commuted Sums**

The council aims to commit the use of our commuted sums strategically. (Commuted sums is funding secured for off-site affordable housing delivery where on-site delivery is unviable). We do this by focussing on additionality, and by supporting homes where affordable housing delivery is unfeasible without a commuted sum.

Between April 2018 and 31 March 2024, the council has spent £761,000 in commuted sums. This has resulted in an additional 32 affordable homes that would not otherwise have been delivered.

### **5.1.5 Delivering affordable homes above Section 106 requirements**

Live discussions with developers are ongoing to try and secure above policy compliant levels of affordable housing on new developments, with support from Homes England grant funding.

Securing affordable housing additionality on Section 106 schemes will continue to form a key part of our work to boost affordable housing supply.



## **5.2 Focusing on Unlocking Stalled Sites**

Housing Enabling is collaborating with various partners to unlock stalled sites across the Borough.<sup>3</sup> Currently, only one site meets these criteria, namely Pittville School, where conversations are taking place with RPs to inform potential future planning applications.

## **5.3 Affordable Housing Delivery on Strategic Allocations**

Notwithstanding the challenges associated with large Strategic Allocations, future delivery on these sites also represents a huge opportunity to boost affordable housing supply.

For example, the North West and West Cheltenham strategic allocations could potentially deliver 2,300 affordable homes upon completion.

In particular, the council's ownership of the Golden Valley can ensure that affordable housing delivery is achieved on a timely basis.

## **5.4 The Strategic & Local Plan**

The preparation of the [SLP](#) gives the council an opportunity to introduce new affordable housing policies, as well as strengthening existing policies. For instance, this could involve assessing the viability of setting a higher affordable housing requirement on new strategic allocations.

Cheltenham's housing enabling team are leading on drafting the affordable housing policies based upon our learning in recent years and will be leading on interactive round table discussions with developers and RPs.

## **5.5 Affordable Housing Guidance Note**

Working alongside the SLP authorities, Cheltenham's housing enabling team have been leading on adopting an affordable housing guidance note. This document seeks to provide developers, Members and residents with greater clarity around the interpretation of adopted JCS and Local Plan affordable housing policies to increase affordable housing supply.

## **5.6 First Homes Technical Advice Note (TAN)**

In addition, the planning policy and housing enabling teams have been working on a First Homes TAN to outline the circumstances whereby delivering First Homes (a discounted market sale product for local first-time buyers) would be acceptable. This TAN will enhance the available affordable home ownership options for local residents.

## **6. Other opportunities to increase Affordable Housing Delivery**

---

<sup>3</sup> (i.e. major developments of 10 homes or more or where over 1000sqm of floorspace is created where planning permission has expired)

Despite facing significant barriers to increasing affordable housing supply, the council can benefit from several opportunities to boost affordable housing supply, as outlined below:

### **6.1 Land-led Delivery (100% affordable schemes and additionality)**

Nationally, with some RPs currently losing their appetite for Section 106 development, a corresponding increase in land-led schemes could create more opportunities to deliver affordable homes by way of additionality through majority (50%+) or wholly (100%) affordable schemes.

### **6.2 Potential New Homes England Affordable Homes Programme**

The conclusion of Homes England's current [2021-2026 Affordable Homes Programme](#) (which provided £12bn of Government grant funding to boost affordable housing delivery) raises the possibility of an enhanced new Affordable Homes Programme (to be confirmed in the Spring Statement).

An additional [£500m of funding was announced in the Budget](#) to support Homes England's current 2021-2026 Affordable Homes Programme, with a particular focus on delivering social rented homes.

A recent letter from the Minister of State for Housing and Planning outlines the [Government's ambitions and objectives for Homes England in 2024/25](#), including maximising social rented provision.

### **6.3 Revised National and Local Affordable Housing Targets**

Recent Government proposals published within the [National Planning Policy Framework consultation](#) indicate a significant uplift to national housing delivery targets, including [a 53% uplift in Cheltenham Borough's housing delivery target](#) (rising from 545 homes per annum to 833 homes per annum).

This theoretical uplift in housing delivery could result in a significant medium-term increase in affordable housing delivery across Cheltenham Borough.

Notably, this uplift would be subject to favourable economic, labour and policy conditions being maintained.

### **6.4 Delivery of Strategic Allocation Sites**

The anticipated delivery of strategic allocations at North West and West Cheltenham in the short-medium term offers significant opportunities for securing hundreds of affordable homes alongside Tewkesbury Borough.

The Council will continue to explore the possibility of securing additionality above and beyond policy compliant affordable housing provision on the Strategic Allocations.

## **7. National Affordable Housing Delivery Best Practice**

Members should be aware that best practice is subjective in nature, and the council will need to think carefully about the unintended consequences of perceived best practice.

Any best practice that the council may choose to implement must reflect local housing need and market dynamics. However, some examples are provided below, which council officers are currently interested in exploring further:

- **Bristol City Council's** latest [Affordable Housing Practice Note](#) (AHPN) includes clear and easy-to-understand guidance around Bristol's approach to maximising affordable housing delivery across all sites, including a focus on delivering 75% social rent on new developments.

This AHPN complements the [Council's 'Project 1000' affordable housing delivery plan](#). The planning policy and housing enabling teams will explore specifying affordable housing tenures in our new SLP policies.

- **[Gloucester City's Adopted Local Plan Policy A6](#)**: Accessible and adaptable homes requires accessible (25%) and wheelchair accessible homes (4%) on new housing developments. In effect, this will increase the supply of accessible homes delivered on new developments, thus ensuring that new development (covering both affordable and market homes) reflects the needs of Gloucester's ageing population. Any potential impact on overall affordable housing delivery could be explored as part of the emerging SLP evidence.
- **South Gloucestershire's HomesWest Partnership** focuses on how RPs, working alongside the South West local authorities, can maximise delivery of affordable housing on all sites across South Gloucestershire, rather than focusing exclusively on strategic sites.

[By comparison](#), Cheltenham leads on the JCS Affordable Housing Partnership comprised of Housing Enabling Officers from the JCS Councils and Six RPs; known as the [Preferred Providers](#). The JCS Affordable Housing Partnership only applies to the JCS Strategic Allocation Sites.

The council, working alongside the JCS authorities, are strengthening this partnership by evaluating several RPs who have expressed an interest in joining our Partnership. To join the Partnership, these RPs must demonstrate that they can deliver and manage homes to a high standard, as well as being aligned with our key strategic housing priorities.

Ultimately, our partnership focuses on creating strong and cohesive communities and increasing affordable housing delivery on the Strategic Allocations, as well as supporting the local authorities to tackle homelessness and prevent rough sleeping.

## 8. Other council initiatives currently under consideration

### 8.1 Focusing on buying back larger properties

The council is currently exploring the possibility of focusing buy-back purchases on larger affordable homes to address acute overcrowding amongst larger affordable households.

## **8.2 Bringing empty homes back into use to support our affordable housing objectives**

As part of our [Housing, Homelessness & Rough Sleeping Strategy 2023-28](#), the council has committed to exploring mechanisms to bring empty homes back into either affordable, private rented or market housing uses.

At present, there is very limited capacity to progress on this workstream due to the council's private sector housing team focusing on raising standards across the private rented sector, however, we will explore supporting this initiative in the future.

## **8.3 Making best use of empty town centre spaces**

The council has prioritised bringing town centre spaces back into productive use and maximising opportunities to bring residential uses into the town centre through the Corporate Plan and the [Vacant Units and Town centre Land Use Efficiency Action Plan](#).

To this end, the council's housing enabling and housing development teams are working alongside the Head of Place Marketing and Inward Investment to explore opportunities to acquire sites for affordable housing purposes.

Additionally, the housing enabling team are exploring how we can deliver affordable homes on town centre sites with support from our planning team.

---

<b>Background Papers</b>	N/A
<b>Contact Officers</b>	Ewan Wright, Senior Housing Strategy & Enabling Officer, <a href="mailto:ewan.wright@cheltenham.gov.uk">ewan.wright@cheltenham.gov.uk</a>  Martin Stacy, Housing Strategy & Partnership's Manager, <a href="mailto:martin.stacy@cheltenham.gov.uk">martin.stacy@cheltenham.gov.uk</a>
<b>Accountability</b>	Councillor Flo Clucas, Cabinet Member Housing & Customer Services.