

Overview and Scrutiny

25 November 2024

Member questions

Agenda item 7: Understanding Barriers to Affordable Housing Delivery

1. Question from Councillor Chris Day

On what percentage of sites of 11+ homes has a 40% onsite affordable housing element been achieved over the previous five years?

CBC Response:

67%.

From 01 April 2019 to 31 March 2024, 8 out of 12 sites that have been completed have achieved 40% (or higher) on-site affordable housing delivery. Major developments (i.e. sites of 10 homes or more) where delivery has been recorded between 01 April 2019 to 31 March 2024 have been broken down in the table below.

This table identifies whether schemes achieved policy compliant (40%); above policy compliant (40%+); or below policy compliant (under 40%) on-site delivery of affordable housing.

Table 1- Sites achieving 40% (policy compliant) on-site affordable housing delivery from 01 April 2019 to 31 March 2024.

Financial Year	Policy Compliant (40%)	Above Policy Compliance (40%+)	Below Policy Compliance (under 40%)	Total schemes
2019/20	0	1	3	4
2020/21	0	1	1	2
2021/22	1	2	0	3
2022/23	0	0	0	0
2023/24	2	1	0	3
TOTAL	3	5	4	12

A list of schemes broken down by affordable housing delivery status can be found below:

Schemes achieving policy compliance (40% on-site affordable housing):

- Brockhampton Lane, 7 x on-site affordable homes (40%)
- Shurdington Road (small), 5 x on-site affordable homes (40%)
- Kidnappers Lane, 9 x on-site affordable homes (40%)

Schemes achieving above policy compliance (40%+ on-site affordable housing):

- Arle Avenue, 14 x on-site affordable homes (100%)
- 379-393 High Street, 43 x on-site affordable homes (100%)
- Bouncers Lane, 65 x on-site affordable homes (100%)
- Radford Court, 27 x on-site affordable homes (100%)
- Old Gloucester Road Phase 1, 85 x on-site affordable homes (100%)

Schemes achieving below policy compliance (below 40% on-site affordable housing):

- Gloucester Road, former Travis Perkins site, 16 x on-site affordable homes (15%)
- GCHQ Oakley, 37 x on-site affordable homes (12%)
- Starvehall Farm, 90 x on-site affordable homes (26%)*
- 102 Prestbury Road, 3 x on-site affordable homes (10%)*

Members should note that, schemes achieving below policy-compliant on-site affordable housing delivery (less than 40% on-site affordable housing) have been robustly examined through an independent viability assessment commissioned by the Council.

With regards to schemes marked with an * above, the Council received commuted sums (i.e. monies paid by the developer where they probably cannot deliver policy-compliant on-site affordable housing, as verified through an independent viability assessment) in lieu of on-site delivery. Viability statements to support planning applications submitted are made publicly available to view via the council's website.

Starvehall Farm:

In the case of Starvehall Farm, a separate scheme delivering 50 open market homes was permitted in place of a 50-unit affordable Extra Care scheme- as no older persons' providers were willing to take on the scheme at the time, despite significant efforts by the Council and developer to secure a willing operator.

In exchange for delivering 50 open market homes, the developer (Vistry) agreed to pay the Council a commuted sum of £2,184,947.30 in lieu of on-site affordable housing delivery, as evaluated via an independent viability assessment. CBC will reinvest these commuted sums to support affordable housing delivery across the Borough.

102 Prestbury Road:

After Vacant Building Credit was applied, which reduced the on-site delivery to 3.4 affordable homes, the Council agreed a commuted sum with the developer in lieu of 0.4 on-site affordable homes, totalling £39,627.20. CBC will reinvest these commuted sums to support affordable housing delivery across the Borough.

2. Question from Councillor Chris Day

On what percentage of strategic allocation sites has a 35% onsite affordable housing element been achieved over the previous five years?

CBC Response:

100%. Only one strategic allocation has gained detailed consent on the strategic allocation sites (Swindon Farm, 266 homes in total).

The Swindon Farm site has secured 35% policy-compliant affordable housing provision (93 affordable homes) and is currently under construction by Persimmon, with Cheltenham Borough Council managing the affordable homes.

3. Question from Councillor Chris Day

Does the council's buyback acquisition programme entail buying privately-owned properties at their Open Market Value? What is the average net yield of these properties after all costs except debt and interest repayments? (i.e. what is the net yield available to fund debt and interest repayments)

CBC Response:

Yes, the council's buyback acquisition programme does entail buying privately-owned properties at their Open Market Value (or below).

During the last 18 months across 21 properties, we achieved a net rental yield of 6.1%. This is calculated using the year one rental income less operating costs and the net investment, i.e. the borrowing. If we take an average annual major repairs cost allowance into account, the net rental yield is 5.1%.

4. Question from Councillor Jackie Chelin

The policy states that on sites of 11 homes or more, 40% on-site affordable housing will be sought. What means are available to ensure / encourage developers adhere to this? I think there was a recent case in Gloucester where the council backed down when a developer threatened to pull out because of this.

CBC Response:

Officers are able to rely on the latest **national Planning Policy Guidance (PPG)**, which outlines that off-site affordable housing should only be sought in exceptional circumstances. This point is reiterated within the policy wording found within **Joint Core Strategy Policy SD12: Affordable Housing** (Cheltenham's most up-to-date strategic plan policy).

Joint Core Strategy SD12: Affordable Housing requires that any reduction in affordable housing delivery (below the standard 40% policy compliant delivery in Cheltenham Borough) must be justified through an 'open book' viability assessment submitted by the applicant to the Council which is then independently assessed by the Council's valuers to determine the viable on-site affordable housing delivery. This is the Council's primary lever for ensuring that 40% on-site affordable housing is secured.

On new developments, the Council actively negotiates with applicants to strike a balance between meeting affordable housing needs without compromising the viability of new developments, using the policy foundations found within Joint Core Strategy policies SD11: Housing Mix and Standards and SD12: Affordable Housing respectively.

The Housing Enabling officers also engage closely with the Development Management Team, to enable Development Management officers to support the delivery of policy-compliant on-site affordable housing, as a minimum.

As a minor aside, the Government's National Planning Policy Framework (NPPF) now defines major development (where affordable housing can be sought from new developments) as being on sites of 10 units or more, which supersedes the Joint Core Strategy, where sites of 11 units or more in Cheltenham Borough are expected to deliver 40% on-site affordable housing.

5. Question from Councillor Jackie Chelin

The paper outlines lots of really good opportunities for affordable housing, e.g. New Homes England, land-led delivery, unlocking stalled sites, commuted sums, acquisitions and buy backs. What are the most cost beneficial options (in terms of return on time and effort, etc) to prioritise with pursue with rigour and vigour?!

CBC Response:

If the council wishes to increase its stock of Affordable Housing as much as possible (and without consideration of other market activity), Officers consider that the most cost beneficial approach to delivering this objective would be as follows:

1. Section 106 acquisitions
2. Buy-backs and other acquisitions
3. Land-led delivery
4. Unlocking stalled sites.

The simplest form of delivery would be via section 106 sites, as these affordable homes are built by private developers, with Registered Providers then purchasing them. The larger the site, the more cost-effective the scheme.

Similarly, purchasing homes from the open market along with other acquisitions, are relatively straightforward; however, work may be required to ensure these homes meet Decent Homes Standard and the relevant Energy Efficiency ratings.

Land-led delivery is more involved and therefore more time-consuming; however, the trade-off is that the Registered Provider can deliver quality homes that exceed policy compliant levels, for example, by providing homes that are more energy efficient. Land-led delivery will also help ensure that we achieve 'additionality' on the site, as the number of affordable homes provided on these sites will exceed policy compliant levels. The larger the site, the more cost-effective the scheme – though larger sites can also be fairly complex to deliver, so can take longer to reach completion. This type of delivery would be supported by Homes England grant funding.

Unlocking stalled sites is likely to be the most involved and therefore the least cost-effective; however, this work might be necessary from a place-making perspective to regenerate a particular neighbourhood or to improve the general area, or if there are fewer other affordable housing delivery options.

Members should note that 'additionality' will be achieved where we have delivered affordable homes over and above that which would be delivered through planning policy – i.e. section 106 acquisitions. It is important that the council continues to focus on achieving additionality, so as to maximise the delivery of affordable housing. We would therefore support the use of commuted sums to ensure we can achieve additionality where the delivery of these homes would not otherwise be viable – though we would only commit commuted sums where we were satisfied this provides value for money.