

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee – 1 March 2018

Subject: Housing Affordability

Report of: Director of Housing and Residential Growth

Summary

This report provides an update on how the City Council is using its available resources to support the provision of a range of good quality affordable homes across a range of household incomes across the City

Recommendations

1. To note and comment on the report

Wards Affected: All

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This refreshed approach to affordability will ensure Manchester has the right mix of housing that is affordable across a range of tenure and income levels to support a functioning Manchester and sub regional economy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The new and existing homes will be well connected to employment opportunities and schools
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Increasing the supply of good quality affordable homes for sale and rent will provide the opportunity for Manchester residents to raise their individual and collective aspirations
A liveable and low carbon city: a destination of choice to live, visit, work	The right mix of quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the city and enjoy a good quality of life.
A connected city: world class infrastructure and connectivity to drive growth	This approach recognises the importance a balanced housing offer plays within a well-connected city and the neighbourhoods within it. It seeks to create neighbourhoods where residents will choose to live and their housing needs and aspirations are met

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Manchester Residential Growth Strategy and 2016/17 Action Plan, Executive, 2nd March 2016
- Housing affordability in Manchester, Executive 1st June 2016
- Housing affordability in Manchester, Executive 14th December 2016
- Housing Affordability Plan, Executive 18th October 2017

1.0 Introduction

- 1.1 The 'Our Manchester' strategy has established a series of high level aims to secure the 2025 vision for the city. This includes the need to build well designed, energy efficient, sustainable and affordable homes to rent and buy. The strategy recognises the importance of reducing the gap between resident's wages and the average wage earned in the city as it is imperative we continue to work with our residents to improve their employment prospects and increase their household income so they can access more homes of their choice.
- 1.2 The average household income in the city is currently around £27k per year. Households with below average incomes depend to some extent on welfare benefits and need lower rents if they are to achieve our affordable definition (para 2.4 below). If they are to buy a home they need it to be lower cost, and they may need support with the deposit. In recognition of this the City Council reviewed its definition and approach to the affordability of housing across Manchester.
- 1.3 This report goes on to set out how the City Council is using its available resources to support the provision of a range of good quality affordable homes across a range of household incomes in the City.

2.0 Background

- 2.1 In December 2016 Executive approved the Housing Affordability Policy Framework (HAPF) which redefined affordable housing in Manchester as;
- 'Decent and secure housing that meets the needs of Manchester residents that are below the average household income for Manchester '**
- 2.2 It was recognised that this will include a significant proportion of lower cost market housing and a range of the following;
- Social Housing
 - Affordable Rent
 - Shared Ownership
 - Shared Equity
 - Rent to Purchase
- 2.3 There will be geographical variations to these products which will reflect the diverse nature of Manchester's neighbourhoods and the financial circumstances of the residents within them.
- 2.4 It was also agreed that affordability of housing in Manchester should be linked and aligned with household income. As a principle housing costs should not be more than 30% of a household's gross income. Using the city's average household income of £27k this equates to;
- Up to £675 per month for renting

- £121,500 to buy a home (excluding a deposit)

3.0 Manchester Affordable Homes Programme - Progress to date

- 3.1 Since the approval of the HAPF officers have been working with public and private sector partners to turn the policy approach into the delivery of new affordable homes.
- 3.2 The programme brings together the City Council and developing Registered Providers (RPs) who are delivering both traditional affordable housing across the city and new forms of housing such as market rent and sale. The funding for most of this programme has been provided by the housing providers themselves, with grant support from Homes England and, in some cases, additional grant from the Department of Health for specialist and supported housing.
- 3.3 The Shared Ownership and Affordable Homes Programme (SOAHP) 2016 – 2021 is the current funding programme from Homes England. This programme focussed on shared ownership and introduced a new Rent to Buy product. The City Council coordinated a Manchester bid in conjunction with our RP partners. This resulted in a successful allocation of over £45 million grant funding, the largest allocation in Greater Manchester
- 3.4 Taking into account the SOAHP programme and the previous funding from Homes England which runs up to March 2018, Manchester's Affordable Homes Programme will deliver over 2,200 homes by March 2021. This includes 548 homes which provides:
- 228 for Affordable Rent;
 - 223 for Shared Ownership; and
 - 97 for Affordable Rent to Buy (Homes England Product)

All of the above are currently being constructed

A further 1711 affordable homes are in the pipeline to be developed. These will provide:

- 484 for social rent (Extra Care and Specialist/Supported homes);
 - 135 for Affordable Rent;
 - 591 for Shared Ownership;
 - 501 for Affordable Rent to Buy (Homes England Product);and
- 3.5 This grant funded affordable homes construction programme will be in excess of £250m for Manchester and will bring with it significant Social Value through the employment, skills and training opportunities.

Delivering the Manchester Programme: Case Studies

Infill Sites - current programme

- 3.6 One example of how this programme has developed is the North Manchester New build programme being delivered directly by the City Council. As an investment partner with Homes England, the City Council secured £1.424m grant funding which alongside £5.4m from the Housing Revenue Account (HRA) will deliver 40 new social rented homes. The £5.4m from the HRA will be repaid through the rent from the 40 properties over a 30 year period making this a self-financing scheme.

This is also a unique scheme as the 40 homes will be built across 6 small infill sites in the ownership of the City Council. It is unlikely that these sites would have been developed by the private sector for a number of years, if at all and more often than not they would have become a liability due to fly-tipping and Anti-Social Behaviour. Instead this scheme is now on site and will see tenants moving in by December 2018.

Booth Hall Hospital - current programme

- 3.7 The scheme has been complimented by the purchase of 20 homes from Taylor Wimpey in North Manchester. These will be shared ownership homes owned by the City Council and managed by Northwards Housing. The City Council also negotiated and secured s106 funding for the provision of 11 shared ownership homes by Great Places Housing Group. Both of these schemes benefitted from a discounted market sale of around 26% which is equivalent to approximately £1.25m. Homes England were able to invest grant funding into the 20 homes purchased by the City Council so they can be made available to lower income households who would otherwise not have had the opportunity to purchase on this scheme.

Village 135 - previous funding

- 3.8 Another element of the programme is the development of specialist and supported housing. Wythenshawe Community Housing Group have built Village 135 which is an Extra Care scheme for older people that delivers low, medium and high levels of care and is contributing to the Adults savings plan for Extra Care. 40 of the lets were targeted at older people living in larger social rented family homes who were under occupying their social homes making available 40 much needed family homes to be let to families from Manchester's Housing Register.

4.0 Funding and resources for affordable homes in Manchester

- 4.1 As mentioned in section 3 of this report, the value of the construction element of the Manchester Affordable Homes Programme is approximately £250m. This is met from a variety of sources including;
- Grant funding from Homes England
 - Borrowing from the City Council's Housing Revenue Account
 - City Council capital receipts
 - Registered Provider reserves and loan finance

4.2 The programme is also supported by the City Council using its available land assets. Approximately half the sites (31) in the current programme are owned by the City Council and are being invested through;

- Deferred receipts
- Equity stake
- Disposal at less than best consideration.

4.3 The availability of land and the flexibility shown in how it is invested has enabled Manchester to have such a large development programme of affordable homes. Unfortunately this valuable resource is diminishing and there will need to consider all land opportunities in the Council's ownership for future affordable house building.

4.4 As the SOAHP grant allocation was undersubscribed nationally there is still a substantial amount of funding available up to 2021. This will be allocated through a process with Homes England called Continuous Market Engagement (CME). This requires the delivery partner to bring forward firm schemes with the land secured and a robust business plan with support from the local authority. The CME process will also allow for the reintroduction of schemes that include social and affordable rent. The City Council and its partners will maximise this funding for the future delivery of affordable homes

Housing Affordability Fund

4.5 In October 2017 Executive approved the establishment of Manchester's Housing Affordability Fund (HAF). The HAF brings together in one place a range of additional funding streams targeted at the provision of affordable homes that will complement the development of higher value homes in and around the city.

4.6 The type of affordable homes the Council will deliver through the HAF will vary depending on location, evidence of demand and a clear rationale for delivery and will be a mixture of new build and, importantly, existing housing. Money from the HAF will be used flexibly and will enable the City Council to subsidise eligible schemes across the city. This will take the form of non-recoverable grant and/or recyclable investment

4.7 As a principle the affordability fund will only be used on schemes where no other grant funding is available or where there is still a viability gap on grant funded schemes. At the time of writing, available funds stand at £1.2 million with significant additional receipts expected over the next 12 months to 2 years from section 106 agreements and land transaction deals.

4.8 The HAF has given the Council a real opportunity to invest directly into the provision of affordable homes in Manchester. The report to March Executive, Manchester's Housing Affordability Plan - New Products, outlines two proposed schemes which have been developed with Registered Provider (RP) Partners and will seek to provide new and innovative ways for Manchester residents to access good quality affordable homes.

Housing Affordability Zones

- 4.9 In the report to Executive in October, 2017, four areas were approved as Housing Affordability Zones (HAZ). These are areas across the city where the City Council has significant land interests and have the potential to provide a substantial number of affordable homes. These are;
- Central Estates in North Manchester (including land at Collyhurst, Monsall and the Moston Lane Corridor)
 - Clayton (including land at Eccleshall Street and Ilk/Alpine Streets)
 - Beswick (including land at Grey Mare Lane)
 - Wythenshawe Town Centre
- 4.10 These include a significant number of sites that will accelerate new build residential market housing for sale and rent that will be predominantly affordable to residents on or below the average income for Manchester.
- 4.11 This will include a range of housing products, some of which require public subsidy. Officers have had initial discussions with Homes England regarding support for the development of the HAZ Programme and the City Council and RP partners will maximise the funding available in the current SOAHP Programme and future funding regimes.
- 4.12 The City Council will need to continue to use its available funding and resources outlined in this report to support the HAZ programme which includes;
- Homes England Funding;
 - Borrowing from the Housing Revenue Account;
 - Capital receipts;
 - Investing its land (as outlined in section 5 of this report)
- 4.13 Over the four areas up to 2,000 additional new homes could be delivered over the next five years. These will be across the full range of purchase and rental options contained within the Housing Affordability Policy Framework (HAPF) such as;
- Social rented and Affordable Rented homes for general needs, specialist and supported housing, re-provision and replacement of homes lost through right to buy
 - Shared Ownership to allow lower income households to get a foot on the housing ladder
 - Shared Equity schemes to make market housing more affordable
 - Rent to Purchase to allow for a deposit free home purchase plan
- 4.14 There will also be up to 500 existing homes purchased, refurbished and made available for low cost rent and home ownership funded through the Housing Affordability Fund. These will be predominantly, but not exclusively within the

HAZ and will be across a range of tenure and delivered by new and existing rental and purchase products.

- 4.15 In each of the areas the Council will be working with a lead RP partner to provide additional capacity to deliver the programme. This additional capacity could take the form of cash investment, borrowing and dedicated officer time.
- 4.16 Alongside local members, officers from the City Council and the lead RP will look to confirm all current residential development opportunities and identify any additional areas of land that could be brought forward over the next five years. The supply of suitable land will be fundamental to the success of this new build housing programme and will complement existing investment in transport and infrastructure, Place Plans and wider neighbourhood working.
- 4.17 The areas of work that are in scope of this programme are;
- New residential development on MCC-owned land
 - Site/Land assembly and associated Compulsory Purchase Orders
 - Bringing empty homes back into use
 - Maximising Social Value
 - Funding bids to Homes England
 - The development of new financial products to enable lower income households to access the new and existing homes
 - Housing market and neighbourhood analysis to measure what impact this approach will have
 - An emphasis on working households, supporting existing and new working age households into work.
- 4.18 Work on the preparation of the zones has started with the gathering and analysis of data and discussions with relevant partners. This will help inform the scope of the areas and establish the baseline from which the impacts of the investment can be measured. It is expected that this work will be completed by November 2018. Clayton, Beswick and Wythenshawe have identified registered Housing provider partners in One Manchester and Wythenshawe community Housing Trust. Community consultation on the zones and how plans are developed will be managed in partnership with these providers. This will lead to defined red line boundaries for each area.
- 4.19 In North Manchester a process will begin to secure a housing provider partner that is able to bring significant investment resources forward. Northwards Housing will be part of this process but as an ALMO is unable to bring the level of funding required. It is planned to start a process for selection of a partner in the summer of 2018. Once secured, the Council will work with the appointed partner to start a joint master planning approach with full community and stakeholder engagement. This master planning will look in detail at Collyhurst, Monsall and the Moston Lane Corridor and support the development of the North Manchester Strategy refresh due to commence in the summer of 2018.

5.0 Conclusion

- 5.1 It is important that the City Council is innovative and maximises the use of available resources to support the delivery of affordable homes. This can take various forms including;
- Schemes that are self-financing through a long term rental stream
 - Recoverable and Non-recoverable capital investment to improve scheme viability, gap funding or the cash flow of a project
 - Land supply and disposal
 - Use of the Housing Affordability Fund and maximising s106 contributions for affordable housing
- 5.2 As mentioned in section 4 of this report, the availability of development ready land supply in the City Council's ownership is diminishing and it will be necessary to look at other forms of land that with some investment may be suitable for the development of affordable homes. This could include a number of landfill sites across the city where an innovative and creative approach could bring forward a mixture of good residential opportunities and high quality public realm.
- 5.3 Alongside both public and private sector partners, the City Council is delivering a substantial number of affordable homes for its current and future residents across all income levels. There is still a lot of work to do but with the approaches being taken in terms of new products, schemes and the creative use of resources Manchester will continue to thrive.