

**Manchester City Council
Report for Information**

Report to: Economy Scrutiny Committee – 14 January 2021
Executive – 20 January 2021

Subject: Affordable Housing Delivery Update

Report of: Strategic Director - Growth and Development

Summary

This report provides an update on how the Council and its partners will deliver a minimum of 6,400 affordable homes from April 2015 to March 2025.

Recommendations

The Economy Scrutiny Committee is invited to comment on the report.

The Executive is recommended to note the progress made towards the affordable housing delivery target.

Wards Affected: All

Environmental Impact Assessment the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The Council is working with each of its housing management contractors to identify what work is required to ensure that the homes meet the city's zero-carbon target by 2038. Initial estimates are that works will cost around £400m to fulfil this ambition.

Our Manchester Strategy	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 homegrown 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	Nobody should be held back in their ambition, simply because of their housing tenure. Social housing is the

contribution by unlocking the potential of our communities	housing of choice for many and we will ensure it is well maintained and well managed
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. Project 500 will deliver development of scale to support low carbon initiatives and solutions that may not be available through piecemeal development.
A connected city: world class infrastructure and connectivity to drive growth	This approach recognises the importance of 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.

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There are no direct revenue consequences arising from this report, but as and when any new schemes are brought forward the detailed revenue consequences will need to be considered to ensure that the scheme is affordable and that the implications on the Housing Revenue Account and General Fund are considered as part of the decision-making process.

Financial Consequences – Capital

The current approved Housing Revenue Account budget does already allow for the costs and implications of the following new build programmes:-

- Silk Street, Newton Heath
- Collyhurst Phase One
- Brunswick Extra Care

Any additional capital proposals affecting either the General Fund or the Housing Revenue Account capital programme over and above the existing approved budget will need to be considered on a case-by-case basis as part of the business case process for any new schemes.

The majority of development is on brownfield, second/third generation development land and consequently investment may be required to remediate sites. Primarily this is to be sourced through external funding from Homes England or Registered Provider partners.

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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 this 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 officers above.

- Core Strategy, Executive, 27th June 2012
- Draft Residential Growth Strategy, Executive, 4th November 2015
- Housing Affordability in Manchester, Executive, 1st June 2016
- Housing Affordability in Manchester, Executive, 14th December 2016
- Housing Affordability Plan, Executive, 18th October 2017
- Housing Affordability Plan New Products, Executive, 7th March 2018
- Executive Member priorities, Executive, 30th May 2018
- Delivering Manchester's Affordable Housing Strategy - Proposed new affordable housing policies for the Council, Executive, 12th December 2018
- Delivering Manchester's Affordable Homes, Executive, 5th September 2019

1.0 Introduction

1.1 This report provides an update on the delivery of new affordable housing across the city including progress towards the Residential Growth Strategy target and the programme of work currently underway to help increase the quantum of delivery over the next 5 years.

2.0 The Residential Growth and the Affordable Housing Context

The Manchester Economic Context

2.1 Manchester is entering the second phase of its post-industrial economic restructuring with growth expanding beyond the City Centre and the emergence of a new and diversified employment market in several important sectors across the City. There is currently c.390,000 jobs in Manchester, forecast to grow by c.63,000 by 2038, mainly in financial & professional services (20,000 new jobs) and the health sector (11,300 new jobs). As the employment market widens and deepens, the confidence for business and others to invest in the city has continued to increase. The City Centre office market, in particular, has benefitted from an additional c.435,000m² of new Grade A space over the last two years (Deloitte Crane Survey) and a further c.460,000m² is under construction or planned. Despite the coronavirus pandemic the economic future for the city is extremely positive.

Job Growth creating Housing Demand

2.2 The growing economy and increasingly diverse opportunities for employment are attracting significant numbers of people who want to live in Manchester. According to the last Census (2011), Manchester was the fastest growing City and the third fastest growing Local Authority area between 2001 and 2011. The latest forecasts suggest that the population of Manchester will exceed c.650,000 by 2026 with over 100,000 of those living in the city centre - by far the fastest rate of growth of any part of Greater Manchester.

2.3 In addition to the growth of young graduates now being attracted to live in Manchester the increase in the city's population is also being driven by significant numbers of international migrants - attracted by proximity to jobs and established language, nationality and faith networks - which have acted to create exceptionally high demand for new homes in the core of the conurbation and surrounding neighbourhoods. In the past some reception neighbourhoods have had a high turnover of residents but trends now suggest that families are beginning to stay and lay down roots. Over the last decade new reception areas for international migrants have become established in north and east Manchester.

2.4 Forecasts suggest that by 2025, almost half (49%) of the people employed in Manchester will be educated to degree level or above. This trend has developed as a result of improved educational outcomes in Manchester schools over the last decade and also in parallel with high levels of net migration into the city which, when combined

with record rates of graduate retention, along with an accessible housing market, has acted to fuel a level of population growth unprecedented in the city since the Industrial Revolution.

3.0 Residential Growth Strategy & Affordable Homes Target

3.1 As part of the Residential Growth Strategy, the city is committed to delivering a minimum of 6,400 new affordable homes between April 2015 and March 2025. Over the first 5 years of the strategy period, a total of 1,519 new affordable homes have been delivered – representing c.25% of the 6,400 by 2025 minimum target.

Progress so far this year (2020-21)

3.2 Between April-November 2020 a total of 216 new affordable homes were completed and a further 223 are expected to complete by the end of March 2021. Of these c.440 homes – there are 162 shared ownership homes, 140 homes for social rent, 94 for affordable rent and 43 rent to buy homes. Covered in more detail towards the end of this paper, notable schemes include the former Stagecoach Bus Depot (72 extra care social rented & 30 shared ownership), the former MEA School Fields (80 shared ownership & 38 rent to buy / discounted market rent) and Brunswick PFI (60 social rent).

3.3 The full list of schemes completing or expected to complete this financial year is included in Appendix 1. In addition, there are over 680 new affordable homes currently under construction – including several large-scale developments which have started on site this year:

- One Manchester has started on site at the Grey Mare Lane Estate (Blackrock Street & Windemere Close). The redevelopment is set to deliver c.290 new homes (incl. 124 of re-provision) and the retrofit of 169 homes
- One Manchester has also started work at Gorton Lane. Once complete, the scheme will deliver 115 new homes (102 for rent to buy & 13 for shared ownership)

3.4 Alongside this, planning permission has been granted for 14 schemes delivering over 640 affordable homes in 2020 – the largest of which is Your Housing Group's development at the former Edge Lane Business Centre delivering 72 homes for shared ownership and a further 72 at affordable rent. Appendix 2 sets out the current estimates of affordable delivery to 2025 including the number of homes to be delivered across each affordable tenure.

4.0 Increasing the Future Supply of Affordable Housing

4.1 Looking forward, the majority of new homes have been and are expected to be delivered through Homes England's Affordable Home Programme (AHP). Officers are currently working with Registered Provider partners to develop bids for the latest round

of AHP investment, which is likely to include shared ownership, social rent, affordable rent, specialist, and supported housing.

Project 500

4.2 The Council is working with 8 Registered Housing Providers to deliver nearly 400 low carbon, affordable new homes on 39 small sites (under 25 homes), over 2 phases across the next 5 five years, with a third phase to follow which will deliver over 200 new homes.

The sites have been allocated to the participating RPs and the phases are as follows:

- Phase 1 – 11 sites; approx. 112 homes (sites already underway or that appear may be suitable for fast tracking)
- Phase 2 – 28 sites; approx. 284 homes (sites will form part of the Continuous Market Engagement with Homes England under their Affordable Homes funding programme 2021 – 2026)
- Phase 3 – 27 sites; approx. 229 homes (sites with potential complications – further Due Diligence required)

Local members have been updated with the outline proposals for sites in their wards. The Council has provided redline maps and title information to the RPs to assist them in preparing the initial capacity studies for Phases 1 and 2. A series of workshops have been held with the RPs and colleagues in Planning, Neighbourhoods and Highways to comment on the initial proposals before they are progressed for internal approval.

In tandem with this the RPs are in the process of jointly commissioning topographical surveys to gather spatial information relating to the site (ground modelling and visualisations) and complete a feasibility exercise; and both legal teams are negotiating the Heads of Terms to standardise the lease disposal arrangements and a Memorandum of Understanding.

This City

4.3 Work continues to develop the detail of the delivery of the first phase of housing development through the This City - the Housing Delivery Vehicle (HDV). There has been a period of intensive work with consultants, who were commissioned to support the financial modelling workstream of this project. This work has identified a range of challenges to the financial viability of some aspects of the delivery proposition.

Following further work to explore a range of scenarios, including bringing fewer sites forward, variants in accessible and market tenures and levels of sustainability costs, work is now focusing on bringing forward the two city centre sites.

The rationale for this is that these two sites can deliver the highest numbers within the original parameters of the HDV, with no grant funding being required to bring forward these two schemes. This would mean that the delivery of these developments would be fully funded through PWLB via a simple company structure which would have the flexibility to be adapted in the future for different funding or delivery opportunities.

In order to get some traction and progress the schemes as quickly as possible, the following actions are moving forward:

Site 1

- Discussions are taking place to finalise the scope of works to support with the design process.
- We have clearly indicated that the focus is to accelerate this work and progress the scheme to the planning committee.
- Weekly meetings have been established to discuss programme of delivery in the area to ensure there is synergy on this and actions are being progressed in line with current timelines. This group includes Planning, Development, Highways, Neighbourhoods and Housing along with the developer.
- Work is to commence on a lettings strategy for the scheme, to ensure a consistency of approach.
- A briefing meeting is to be scheduled with Ward Members in early January to outline to proposal in more detail.

Site 2

Work is underway to commission a design team to progress the options and opportunities.

Housing, Capital Programmes, City Centre Regeneration and Planning are working collaboratively to ensure that a team with the right skills and expertise, especially in heritage design, are brought together as soon as possible to start to progress indicative scheme proposals.

Alongside this Site Investigations are also to be commissioned.

- Capital Programmes and Procurement are supporting the This City Project Team to put the appointments in place. It has been made clear that any parties appointed will need to have contracts that are structured in a way that they can be novated to the HDV, once established, and that they have the appropriate warranties to facilitate this.
- An indicative timeline is to be developed to outline key milestones for progression of the scheme.

- A briefing meeting is to be scheduled with Ward Members in early January to outline to proposal in more detail Other
- The first phase financial modelling commission has concluded. A draft final report is in the process of being reviewed and the financial model is to be handed over in its entirety shortly. This will allow further modelling to be done by the Council, and for stress-testing to take place.
- Consultants will undertake their second part of the tax commission financial modelling as soon as the model is handed over to the Council.

Work has commenced on the development of the HDV Business Case for the first two sites, as well as outlining potential approaches for future developments. Consultants will act in capacity of critical friend on the business plan and share any insights from their review of Croydon's Brick by Brick through their assessment of the This City Business Case.

It has been previously acknowledged that the delivery of phase 1 schemes is bespoke and that moving forward, the Council is unlikely to be investing the same level of financial support for future development phases. This means that it is more than likely to be some form of JV arrangement in future. This will be outlined in further detail in the future phases section of the Business Case.

Work is to commence on review of the further potential sites identified for the HDV to look at delivery opportunities and routes, given that it will be variation of approaches deployed moving forward.

Northern Gateway

4.4 The City Council's joint venture with Far East Consortium (FEC) is set to deliver c.15,000 new homes over the next 20 years across the Northern Gateway – c.20% of which are set to be affordable. This equates to 28% of the entire City of Manchester target as set by the draft Greater Manchester Spatial Framework (GMSF) – all within an area no more than 1.5 miles from the city centre. As announced in the March 2020 Budget, the scheme will benefit from the successful £51.6m Housing Infrastructure Fund (HIF) bid, which will help unlock key opportunities within the Red Bank and New Town neighbourhoods. Plans are also now progressing for some of the affordable housing components of the scheme including:

- The first phase of development in the Collyhurst Village neighbourhood which will deliver 130 social rented homes - part of the city's Brownfield Land fund bid
- Victoria Riverside – A large scale multi-tenure apartment scheme in New Town which is set to deliver over 600 apartments including 32 available for shared ownership

Miles Platting & Newton Heath

4.5 In the region of 3,000 new homes around a third of which (c.1,000 homes) will be affordable are planned in Miles Platting & Newton Heath over the next ten years. In addition to the large-scale delivery associated with the ongoing PFI (c.700 new homes in the period 2015-25 including c.180 currently under construction or with planning permission), a series of major developments (the largest of which were included in MCC's recent Brownfield Land Fund Bid) are planned:

- The development of the former Manox Dye Works will deliver 410 new homes of which 114 will be affordable (a mix of Shared Ownership, Affordable Rent & Rent to Buy managed by One Manchester). As well as the full-scale remediation of a highly contaminated site, the proposed development is zero carbon and was granted planning permission subject to a £300k s.106 for the re-provision of green space.
- Looking further ahead Your Housing Group is working up plans to build 1,100 homes including c.550 affordable at the former Jackson's Brickworks site in Newton Heath. The proposal at the 47-acre site just east of Ten Acres Lane includes a secondary school and community sports facilities. The developer is currently seeking public feedback on its early-stage proposals. A further consultation will be undertaken with more detailed design of the redevelopment proposals in early spring 2021.
- The redevelopment of Newton Heath District Centre with over 300 new affordable homes (including a minimum of 200 homes available for social rent) across 4 sites delivered by a combination of the City Council, One Manchester and Guinness NC. The Silk Street development (69 homes) within the District Centre forms part of the city's Brownfield Land Fund bid.

Due to the amount of development proposed for this ward a master-planning project has been set up, initially with officers from Neighbourhoods and Strategic Housing along with local members.

Moss Side & Hulme

4.6 Working with Neighbourhoods teams, the City Council is undertaking a programme of work looking at the area around Moss Side and Hulme from a community perspective. A number of possible sites are under consideration for residential development including The Reno Site (Barnhill Street) which has the potential to deliver up to 200 new homes (including some larger family housing) as part of a multi-tenure scheme which recognises the heritage and community value of the site.

Extra Care

4.7 In addition to increasing the numbers of general needs homes in the pipeline, there are a number of projects delivering new Extra Care housing across Manchester

including c.170 units that have recently completed or are set to complete over the next few months:

- Part of Mosscares St Vincent's redevelopment of the Former Stagecoach Bus Depot on Princess Road, the 72 extra care homes available for social rent at Elmswood Park completed in September 2020 with only 10 apartments left to fill
- Allocations are underway for 60 Extra Care homes at the Brunswick PFI which is now set for completion in January 2021 and includes a part re-provision of Elizabeth Yarwood Court – a nearby sheltered scheme due for demolition
- Despite delays linked to the contractor going into administration and the onset of the Covid-19 pandemic, the Oaklands specialist dementia (36 apartments) scheme in Fallowfield is set for completion in April 2021. Despite this increase in provision and a further 160 homes set to complete in 2021-22 at Dahlia House and Gorton Mill House, the evidence suggests the city remains undersupplied. Opportunities including the residential element of the North Manchester General Hospital regeneration, the LGBT affirmative scheme at Russell Road and the identification of other potential sites including Millwright Street are key to addressing this need and meeting demand from a growing older population across the city.

5.0 Conclusion

5.1 Increasing the delivery of housing – and affordable housing in particular – will be a key part of city's recovery following the Covid-19 pandemic. The demand for housing from the most vulnerable in the city has not diminished following the crisis and if anything, the requirements of residents most in need has become even more acute with the numbers of people on the Housing Waiting List and in temporary accommodation continuing to grow. In response, MCC is looking to significantly upscale the delivery of new affordable homes and to this end, the existing delivery platforms we have established with RPs – including use of our land assets – and working in conjunction with Homes England investment programmes remains key. Added to this, the Housing Delivery Vehicle will soon begin to deliver new affordable homes, bolstering the pipeline and helping the city meet and exceed the 6,400-minimum target by 2025.

6.0 Key Policies and Considerations

(a) Equal opportunities

6.1 This approach to affordability will enable the provision of a diverse range of housing to meet the needs of the growing and changing population. Local communities will be engaged through appropriate consultation, giving all stakeholders opportunities to engage in the development of Manchester's policy.

(b) Risk Management

6.2 Assessment, mitigation and management of risk will be overseen through the city council's governance arrangements associated with residential growth

(c) Legal Considerations

6.3 The legal team will continue to support the teams to ensure any arrangements are suitably documented and comply with any and all relevant legislation and applicable procedures to facilitate the delivery of the objectives and recommendations as set out in the body of this report.