

Manchester City Council
Report for Resolution

Report to: Economy Scrutiny - 5 December 2018
Executive - 12 December 2018

Subject: Delivering Manchester's Affordable Housing Strategy –
Proposed new affordable housing policies for the Council

Report of: Executive Member for Housing and Regeneration

Summary

This report sets out proposed new affordable housing policies for the Council

Recommendations

Economy Scrutiny Committee is invited to comment on the affordable housing policy proposals as set out in section 5 of the report.

The Executive is recommended to:

1. Endorse the affordable housing policy proposals as set out in section 5 of the report; and
 2. Note that officers will consider the financial and legal consequences of these policy proposals and report back to Executive in early 2019
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Wards Affected: All

Manchester Strategy outcomes	Summary of the contribution to the strategy
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

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

As the attached report contains policy proposals there are no specific revenue consequences as a result of this report. Officers will consider the financial implications of the policy proposals and report back to Executive in early 2019. In doing so officers will be particularly mindful of the rules and restrictions around the operation of the Council's Housing Revenue Account.

Financial Consequences – Capital

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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.

- Report to Executive - Core Strategy 27 June 2012
- Report to Executive - Draft Residential Growth Strategy 4 November 2015

- Report to Executive - Housing Affordability in Manchester 1 June 2016
- Report to Executive - Housing Affordability in Manchester 14 December 2016
- Report to Executive - Housing Affordability Plan 18 October 2017
- Report to Executive - Housing Affordability Plan New Products 7 March 2018
- Report to Executive - Executive Member priorities 30 May 2018

1.0 Introduction

- 1.1 We face a huge challenge in the City. Savage cuts of more than 40% to our budget - impacting on the support and services we can provide to the most vulnerable residents. A bedroom tax - which has pushed families into housing debt. Universal Credit which is continuing to plunge people into debt, rent arrears and a reliance on food banks.
- 1.2 We have seen 8 years of failure on all fronts by this Government. With rising homelessness to falling homeownership, to the lowest number of new social rented homes on record. We contrast this with the record of a Labour Government which between 97 and 2010 built 2 million more homes and there were a million more homeowners, in addition to the biggest investment in social housing in a generation.
- 1.3 Manchester Labour has always fought to protect the most vulnerable in our City, with rising levels of homeless families and individuals and over 5,000 people in housing need we must act. This paper set out policy ideas to build on existing Council commitments and create a new direction in our approach to affordability over the coming 12 months.
- 1.4 I believe the proposals in this paper provide us with a bold new approach to deliver genuinely affordable homes that meet the needs of all Manchester residents.

2.0 Context, Challenges and Opportunities

2.1 Context

- 2.2 The affordable housing context for the City is framed by a number of important points:
 - **An ambitious yet deliverable Residential Growth Strategy** - Off the back of a deep recession the City has achieved a strong economic recovery which has been underpinned by a Residential Growth Strategy. When agreed, the Strategy set a target to deliver 25,000 new homes between April 2015 and March 2025, an average of 2,500 homes each year. Based on schemes completed to date, those on site and those committed, plus an assumption of delivering 3,000 new homes per annum going forward, a prudent revised residential growth target would be 32,000 homes by March 2024. In the region of 3,000 affordable homes have been delivered (around 800) or will be delivered (around 2,200) between April 2015 and March 2021, with at least a further 3,400 to be delivered to meet the Council's 20% affordable housing target by March 2025. This means that compared to the previous target of 5,000 affordable homes (20% of 25,000 new homes) the Council is on track to deliver an additional 1,400 affordable homes than was originally planned by March 2025. A Residential Growth update will be taken to the Council's Economy Scrutiny and Executive early in 2019.

- **Adverse impact of austerity measures & welfare reform** - Manchester's residents have suffered significantly with Housing Benefit changes and the move to Universal Credit, impacting particularly on families and those on lower incomes.
- **Growth in homeless demand** - the impact of austerity coupled with steps taken by some landlords has led to an increasing number of people and families presenting as statutory homeless. In 2014, the Council leased around 150 properties in the private rented sector as temporary accommodation. This has now risen to over 1,350 properties and is continuing to grow.
- **Increasing number of people on the housing register** - over 5,000 people and families are classified as in need (bands 1-3 of 6) on the Council's housing register, with 13,000 people and families on the register in total. This number is increasing as the number of new lets is decreasing. Last year just over 2,700 affordable homes were let through Manchester Move.
- **Meeting the distinct needs of different people and areas across the City** - whilst there are affordability challenges across the City these vary considerably from area to area. Average household incomes vary across Manchester from c.£20,000 in some parts of the North and East to c.£36,000 in the City Centre.
- **Meeting the needs of the City's older and more vulnerable residents** - there is increasing need for supported accommodation to meet the growing needs of Manchester's older residents as well as those with mental health needs, learning disabilities and a number of other vulnerable groups.

2.3 Challenges

- 2.4 The Council's affordable housing policy needs to address a number of challenges:
- **Ensuring homes are genuinely affordable to all Manchester residents** - the Council launched a pioneering affordable housing policy in 2016, defining affordable housing as homes that cost no more than 30% of their gross household income for those at or below the City's then average income of £27,000. The Council subsequently agreed at its Executive in May 2018 that no Manchester resident should have to spend more than 30% of their household income on accommodation - and ideally less. This requires an affordability policy which can respond to the needs of individual residents as well as the distinct needs of different parts of the City.
 - **Accessing accommodation at Local Housing Allowance (LHA) levels** - in a number of parts of the City residents are already facing difficulty accessing properties at LHA levels. If rents increase and in the absence of significant new supply, this is expected to become more challenging in the future.

- **Creating the right types and tenures of homes** - Manchester residents on lower incomes need and expect a diverse range of affordable housing types and tenures. This means houses, apartments and bungalows as well as specialist facilities for some older people or vulnerable groups with specialist needs. Tenure types include a range of rental options at different levels as well as tenures that allow residents affordable purchase options over time as their circumstances change.
- **Losing significant numbers of affordable homes to the Right to Buy** - after an increased discount was made available to purchasers of Right to Buy houses in 2015 Right to Buy sales peaked in 2017/18. Around 500 affordable homes are predicted to be lost in the City to the Right to Buy in 2018/19. Around 170 are Council-owned, 150 of which are managed by Northwards and 20 managed by 3 PFI operators in Brunswick, Grove Village and Miles Platting. Around 330 are owned by Registered Providers. If Right to Buy purchases continue at this rate, over the next 30 years the accommodation managed for the Council by Northwards would reduce from the current level of around 12,900 homes to around 8,500 homes. These significant losses would not only reduce the Council's affordable housing options for those in need on its housing register, but would also make it harder for Northwards to deliver a value for money service to tenants and leaseholders. Similar challenges would be faced on the PFI estates.
- **Growing concern about City Centre affordability** - these concerns centre on whether the City Centre is affordable for Mancunians. Developers who are not fully contributing to the number of affordable properties within schemes are making financial contributions to off site provision (Section 106 monies). There are concerns whether this money should be used to deliver affordable housing in the City Centre.

2.5 Opportunities

2.6 At the same time there are a series of opportunities available to the Council:

- **Capitalising on the lifting of the Housing Revenue Account (HRA) cap** - the Government recently lifted the HRA cap to allow Councils to borrow more, subject to affordability, to invest in new affordable Council housebuilding.
- **Making the most of the Council's land interests** - whilst land is a finite resource the Council has significant land interests in 4 Housing Affordability Zones, agreed by the Executive in 2017. The Council also has some resources and powers to acquire land in these and other strategic regeneration areas to create future land supply.
- **Growing availability of external funding** - The Council's ability to access infrastructure funding through housing delivery agency Homes England has recently been reduced as a result of new geographical investment

rules. However, with £2bn available nationally there is more funding to invest in affordable housing than there has been for many years. There are also opportunities to tap into GM funding (e.g. around supported and community-led housing).

- **The Local Plan** - when adopted, the new Manchester Local Plan, which is planned to commence in Summer 2019, would create the opportunity to review and more closely align housing and planning policies around affordable housing for the first time since the current Local Plan was adopted in 2012.
- **Increasing Registered Provider interest** - local Registered Provider partners are accessing increasing funding through Homes England, and borrowing, and have a growing appetite to invest in the City. A number of other large national Registered Providers have also identified Manchester as an area in which they are keen to invest.
- **Supporting older people downsizing** - whilst the priority is to support older people staying in their existing homes for longer if they wish to there is also considerable demand from older people to downsize to reduce living costs. This has the potential to free up large family homes which are in high demand by those in need on the housing register.
- **Harnessing grassroots housing demand** - There is growing interest from people across the City to build their own homes to address their affordability challenges.
- **Capitalising on new affordability products and tenures** - The Government has introduced a wider range of affordable housing products and tenures through the National Planning Policy Framework (NPPF), including some outside the Right to Buy (see below).

3.0 Defining Affordability

3.1 Traditional affordable housing tenures and the LHA

3.2 “Affordable Housing” has emerged over time as an aggregate term for a range of housing tenures that allow people on lower incomes to access homes at below market values.

This includes:

- **Shared Ownership** - an increasingly popular part rent/part buy model in which residents can pay rent on 25-75% of the value of the property initially with the option to buy the remainder later.
- **Affordable Rent** - although this can technically be set at or below 80% of market rent, affordable rent is typically set at or close to the full 80% level.

- **Social Rent** - this is typically set at or around 60% of market rent, although is not directly linked to market rent in the same way as affordable rent.

- 3.3 The difference between affordable and social rent can vary significantly by area, due to varying levels of market rent across the City. Sometimes market, affordable and social rent can be very close together, but on other occasions are significantly different.
- 3.4 Housing Benefit is linked to LHA, which is set at the 30% percentile of all market rents. In North and East Manchester affordable rent will currently generally be at or slightly below LHA levels. Further South of the City, somewhere between social and affordable rent is required to achieve LHA levels. However the position can vary in individual neighbourhoods. Some of South Manchester, including parts of Wythenshawe also has a separate LHA level. This means that some Manchester residents can currently access homes at affordable rent using their Housing Benefit and others can only do so when they are let at social rent or by spending more than 30% of their household income on paying rent.
- 3.5 Whilst LHA levels have been frozen at 2015 levels and are expected to be reviewed in 2020 there are likely to remain strong pressures on Universal Credit/Housing Benefit budgets. This in turn means that there is an increasing likelihood that more of Manchester's residents will need to access a social rent to deliver the Council's commitment that no more than 30% of their household income should be spent on accommodation costs.

3.6 New affordable housing tenures

- 3.7 Responding to growing concern about the impact of the Right to Buy other newer affordable tenures have been or are being introduced by the Government, including:
- **Rent to Buy** - residents pay an affordable rent for 5 years whilst saving a deposit to buy the property outright or move across to a shared ownership product.
 - **Discounted Market Sale** - this is based on 80-95% of market sale
 - **Discounted Market Rent** - this is also based on 80-95% of market rent.
- 3.8 There is so far limited practical information about these new tenures, but they potentially fall outside the Right to Buy.

4.0 Funding Affordability

- 4.1 An overview of funding new affordable homes
- 4.2 The following table sets out a basic example of how an indicative 3 bedroom new build affordable home in Manchester could be funded, either by the Council or a Registered Provider. The table sets out an example for both a

home let at an affordable rent and at a social rent. In each case the basic principle is that the Council or Registered Provider would borrow against the rental income over a 30 year period, after allowances are made for long-term repairs and maintenance costs. This is, however, insufficient to meet the total costs of building the home after assuming a nil land payment.

- 4.3 Therefore, the next step is to apply for grant to Homes England towards this deficit, which is larger for social rent as whilst more grant is typically available it is insufficient to meet the full reduction in rental income. As a result the Council or Registered Provider would need to provide an additional subsidy. In the case of a Registered Provider this would potentially be a subsidy from delivering other tenures (e.g. market sale, market rent etc). For the Council this would come from the Housing Revenue Account. In each case there is the scope to top this up from the Council's Housing Affordability Fund into which off-site developer contributions are paid (see below).
- 4.4 The build cost of a new home is currently on the high side because of the limited size of individual affordable housing projects. The scope will be explored to secure better value for money, as the scale is increased in line with the proposals in this paper.

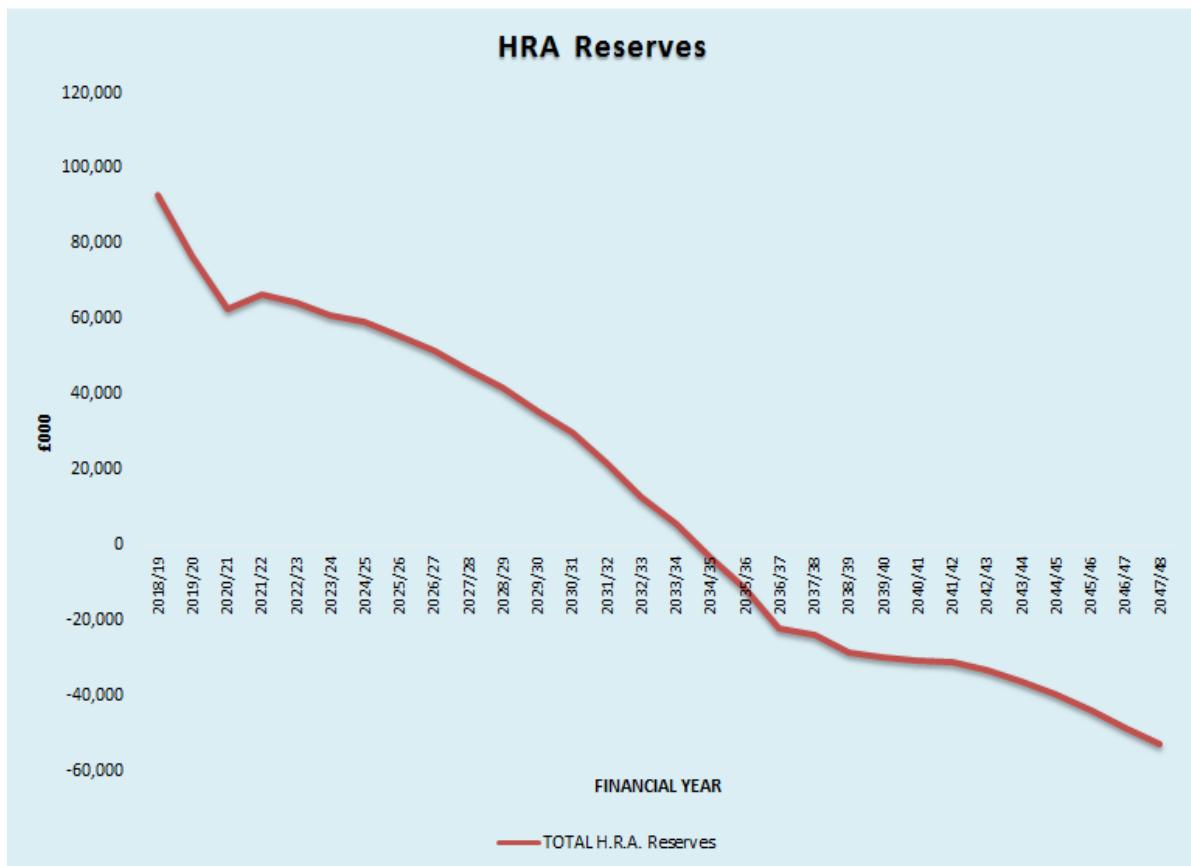
	Affordable Rent	Social Rent
Rental Income	£90k	£67.5k
Grant	£37.5k	£50k
Additional Subsidy	£22.5k	£32.5k
Total Income	£150k	£150k
Land	£nil	£nil
Build Cost	£150k	£150k
Total Cost	£150k	£150k

4.5 The Housing Revenue Account

- 4.6 Where the Council is building new affordable homes (see below) the HRA can support the capital programme to fund construction costs either through use of reserves or borrowing. The HRA is a ringfenced account operated solely for the income and expenditure associated with Council-owned affordable housing.
- 4.7 Income in the HRA comprises rent from c.12,900 homes managed for the Council by Northwards, rents and PFI Credits for the c.2,600 homes managed under 3 PFI contracts in Brunswick, Grove Village and Miles Platting and rent from c.170 homes managed by Guinness partnership in West Gorton. Expenditure includes the Northwards and Guinness Management fees and capital budgets for improving all of these homes over the coming years,

including Unitary Payments made by the Council to PFI Contractors. Borrowing costs and depreciation are added where applicable, based on the costs of other Council lending.

- 4.8 The HRA is forecast over a 30 year period and the HRA cannot enter into deficit. However, in common with most other Local Authorities, the Council's HRA used to break even over 30 years but then stopped doing so when the forced 1% rent cut for 4 years to March 2020 was introduced. Whilst the HRA appears to be in a positive position with a current surplus of c.£100m, it generally makes a loss every year (with the exception being 2018/19 as, subject to Full Council approval on 28th November, funds are reserved for new sprinklers to be invested in 2019/20). On this basis the current reserves would slowly be eroded over time. The predicted position over 30 years is a deficit of c.£52m, with the HRA currently predicted to fall into deficit in 2034/35. This is summarised in the graph below.



- 4.9 An action plan is being developed to bring the HRA back into balance over the 30 year period, which will be shared with Executive in Spring 2019. The Government's removal of the HRA cap at a time it knows that most Local Authorities are in deficit on their HRA is a tacit endorsement that they encourage the building of more Council homes, despite the deficit situation, provided Councils act prudently and work within affordability parameters.

5.0 Policy ideas

- 5.1 Responding to the points raised above, the following policy ideas propose a step-change in the number and tenure of affordable homes being built across the City.
- 5.2 Delivering genuinely affordable homes for all Manchester residents
- 5.3 The Council Executive committed in June 2018 to delivering 500 social and other secure decent homes for rent. As explained above, in some areas of the City this includes affordable rents at LHA levels. Around 350 of these homes are already delivered or will be delivered, with the full 500 expected to be delivered by March 2021.
- ***Policy Idea - The Council will strengthen the 500 home commitment to become 500 new social rented homes to be delivered by March 2022.***
- 5.4 This proposal is more stretching, with only around 130 of these homes currently delivered or committed. It would provide an initial foundation towards the wider proposals to deliver significant new social rented housing across the City.
- 5.5 The Council has committed that no Manchester resident should have to spend more than 30% of their gross household income on accommodation costs. This now needs fleshing out in more detail, capable of becoming not only housing policy but also planning policy as part of the new Local Plan. This will require detailed analysis of Manchester's affordability needs at a local level.
- ***Policy Idea - The Council will develop and consult on a new Manchester affordability policy based around the individual income and circumstances of all Manchester residents.***
- 5.6 Significantly increasing new Council housebuilding
- 5.7 The Council undertook one-off new build activity of around 180 homes in 2011 & 2012. It was then decided in 2015 to start a programme of new Council house building. A pilot of 60 homes is currently on site, comprising 40 homes for affordable rent and 20 shared ownership properties. The potential for a further 150 new Council homes has been explored.
- 5.8 There is scope to scale up Council housebuilding following the Government's scrapping of the HRA cap and with the recent announcement of £2bn+ of Homes England grant to invest in affordable housing.
- ***Policy Idea - The Council will commit to delivering a programme of 3,000 new affordable Council homes over 10 years - 1,000 at social rent, 1,000 at affordable rent and 1,000 shared ownership.***
- 5.9 This tenure mix would broadly have a neutral impact on the HRA, leaving the 30 year deficit unaltered. A smaller proportion of social rented homes would have a positive impact on the HRA and help its improvement. However the action plan to improve the HRA is likely to centre on strong fiscal

management, taking the Government's proposed increase in rents of CPI+1% for 5 years and managing costs over this period and beyond so that costs do not rise in line with income. A greater proportion of social rented homes would increase the deficit.

- 5.10 In the absence of any change to existing Right to Buy policies, 1,500 of these new homes would replace Right to Buy losses and ensure that Northwards has a consistent level of accommodation of no less than 12,500 homes. Importantly there would also be 1,500 net new additional affordable homes, with management of these to be reviewed with Members in due course, having first explored options around the Right to Buy (see below). Collectively all 3,000 new Council homes would help to significantly reduce those in need on the Council's housing register.
- 5.11 Delivering this programme is dependent on access to Homes England grant and the Government lifting the total debt cap on the Council. An HRA Business Plan review and action plan to bring the HRA back into balance also needs to be completed early in 2019. Set against the 60 home pilot the Council is building now this is a significant step-change in aspiration and delivery and is amongst the largest programmes of new Council housebuilding in the UK. Some of these homes would be developed directly and some could be acquired from developers. Opportunities to acquire properties will also be explored (e.g. Right to Buy buy-backs, empty properties, other interventions in the Private Rented Sector etc).
- ***Policy Idea - Deliver a first phase of 300 new affordable Council homes by March 2022, 100 for social rent, 100 for affordable rent and 100 shared ownership.***
- 5.12 There is an opportunity to use a new TV series with George Clarke to drive forward an expanded first phase of 300 homes to be delivered by March 2022, with the first 75 homes to be developed by March 2021. A preferred site for the TV series will be selected by the end of 2018, based on speed of delivery and the potential wider impact the TV series could bring.
- ***Policy Idea - The Council will take steps to maximise the social value from expanded new Council house building, including training and employment opportunities for Manchester residents.***
- 5.13 Delivering more social and affordable homes with partners
- 5.14 *Residential Growth*
- 5.15 Delivering the Residential Growth Strategy, existing commitments and new policy ideas in this paper will rely on strong partnership working.
- 5.16 The Council has three significant residential growth joint ventures:
- ***Northern Gateway*** - delivering around 15,000 homes to the north of the City with Far Eastern Consortium (FEC).

- **Manchester Life** - delivering around 4,000 homes to the east of the City.
- **Matrix Homes** - delivering over 500 homes for market sale and rent with Greater Manchester Pension Fund, using a mixture of higher and lower value sites across the City to deliver new homes and regeneration.

5.17 These partnerships will need to lead by example.

- ***Policy Idea - Where legal agreements permit, future phases of existing residential growth joint ventures and new joint ventures where Council sites represent a significant contribution will deliver 20% net new affordable housing.***
- ***Policy Idea - At least 1,000 of the affordable homes to be delivered through the remainder of the Residential Growth Strategy will be let at social rent.***

5.18 Following more detailed discussions with partners a report on Residential Growth and Northern Gateway will be brought to Economy Scrutiny and Executive in the new year.

5.19 *Registered Providers*

5.20 The Council also has a number of Registered Provider partners who will be central to the delivery of these policy ideas, both through delivery in their own right and through their own joint ventures. These organisations have growing funds to invest.

5.21 A work programme has begun to streamline and speed up the release of sites to Registered Providers. An important feature of this process is also to engage earlier with local Members, whose support is critical to bringing sites forwards. Once fully implemented, this improved approach, coupled with additional resource will allow the Council to accelerate the release of sites for affordable housing and therefore speed up delivery. Opportunities to maximise and speed up access to grant will also be explored.

- ***Policy Idea - 500 plots will be released on small sites to Registered Providers by March 2019 for affordable housing, requiring at least 1/3 of homes to be let at social rent and for all homes to be completed by March 2022.***

5.22 Alongside existing Registered Provider partners, the Council is increasingly being approached by larger national Registered Providers which want to invest in the City. Some are 'not for profit' and others are 'for profit'. It is essential that any Registered Providers that invest in the City work with the Council supports its work on employment/skills, health, homelessness, Zero Carbon and a number of other policy themes. They also need to join Manchester Move and the Manchester Housing Providers Partnership.

5.23 Early discussions with several ‘not for profit’ Registered Providers have indicated that they are committed to doing this. Conversely early discussions with several ‘for profit’ Registered Providers show that whilst they can bring significant investment their values are not fully aligned with those of the Council.

- ***Policy Idea - The Council will continue to work in partnership with existing registered providers and support them to maximise their investment in the city. The Council will also encourage other not-for-profit Registered Providers to invest in Manchester provided they play a meaningful role in the city and invest in areas where existing Registered Providers are not major stockholders.***

5.24 Use of Council land

- ***Policy Idea - After allowing appropriately for other key uses (employment, education, health, infrastructure, culture, amenity etc.) Council land disposals will be principally for development that wholly or partly delivers affordable housing for those in our City who are in the greatest housing need.***

5.25 Reducing the adverse impact of the Right to Buy

5.26 Around 500 affordable homes are predicted to be lost this year in Manchester to the Right to Buy. Whilst they remain in the housing stock, allowing Manchester residents to access home ownership, they significantly reduce the options available to the Council to support those in need to access affordable housing.

- ***Policy Idea: The Council will lobby the Government to remove the Right to Buy***

5.27 National Labour Party Policy already commits to abandoning the Right to Buy. The Conservative Government is unlikely to abandon its flagship housing policy. Therefore, strong proposals will be made, for example that:

- The Council will work with the other nine local authorities and Mayor of Greater Manchester to demand the devolution of the legal powers covering Right to Buy to the Combined Authority, as has happened with devolution in Scotland and Wales. Both Scotland and Wales have enacted legislation that now end the Right to Buy, Scotland's came in to effect in August 2018 and Wales will follow by end of January 2019.
- The Right to Buy should not apply to new build housing, providing more ability for the Council (and also developers/investors on strategic regeneration schemes) to plan investment effectively.
- Councils should be able to retain the full receipt (as opposed to 70% currently).

5.28 The 4 Housing Affordability Zones have the potential to deliver a significant number of new homes, including 2,000 affordable homes. These Zones have

the potential to create vibrant new neighbourhoods, supported by significant Council land ownership and strong public transport connections.

- ***Policy Idea: The Council will explore ways in which all of the new affordable homes (at least 2,000) in the 4 Housing Affordability Zones fall outside the Right to Buy.***

- 5.29 Some approaches may include new affordable tenures not yet introduced in Manchester. Other approaches may include establishing a vehicle to own affordable housing that is not caught by the Right to Buy. Local Housing Companies have been a popular vehicle for Councils to achieve this goal. However there are a number of other models that may be suited to Manchester's circumstances.
- 5.30 Whilst homes created outside the Right to Buy are not required to be let using Manchester Move, the Council would use its role as landowner to agree an allocations policy with any future Housing Affordability Zone developers to closely align allocations policies to provide affordable homes for those in need.
- 5.31 Finally, the Council will take additional steps to verify that Right to Buys requested on its properties are legitimate and take action where this is not the case.
- 5.32 **Delivering affordable housing in the City Centre and the Housing Affordability Fund**
- 5.33 The Council is making positive progress collecting more money from more developers for off-site housing contributions within the Housing Affordability Fund. A total of £1.8m has been collected since 2016, the majority of which has been invested around the City. Significant further commitments are being negotiated. The sums collected will be further enhanced by new arrangements that have started to be adopted in which Section 106 agreements negotiated by the Council now include, as standard, a viability re-assessment once schemes are complete.
- 5.34 Despite this progress there is a strong public feeling that some City Centre schemes should provide on-site affordable housing and that some of the proceeds in the Fund, where collected in the City Centre, should be invested within the City Centre. However, delivering affordable housing within the City Centre is challenging. For example, land values in the City Centre are significantly higher (even when applying the new rules outlined in the *Parkhurst* case when assessing Planning Viability) and if land values forgone are taken into account more affordable homes could be delivered outside the City Centre than within it. Also service charges on apartment blocks can be significant, depressing rental income as affordable rent is capped at 80% of market rent inclusive of service charges. Nonetheless this strength of public feeling is significant and growing.
- ***Policy Idea - The Council will complete within 12 months a feasibility study into a genuinely affordable housing scheme within the City***

Centre of appropriate density for its location. In drawing up the parameters of and delivering this study, the elected councillors of City Centre wards and the elected City Centre spokesperson will be included. Should the feasibility study find such a scheme to be viable, subject to the standard scrutiny procedures of the Council, the Council shall proceed with the scheme.

- 5.35 More detailed consideration will be given, ahead of and as part of the Local Plan process, to the potential scale and scope of future City Centre affordable housing demand and provision.
- ***Policy Idea - the Council will assess potential demand for and scope for provision of other affordable housing within the City Centre, taking into account viability and deliverability.***
- 5.36 Creating affordable housing to support older and vulnerable people
- 5.37 Manchester has a growing older population. A Healthy Ageing programme of work jointly with Greater Manchester is underway to enable older residents to stay in their own homes for longer. However not everyone wants to do this as larger homes can be more expensive to run.
- 5.38 There are over 400 older people registered on Manchester Move wanting to downsize. If prioritised for smaller accommodation these could release large family homes on a 1:1 basis, which are in high demand with around 1,300 of the 5,000 people in need seeking 3 bed properties or larger. With active marketing to older people of the opportunities for and benefits of downsizing, coupled with greater support during any move, there is the potential to free up further valuable family accommodation.
- 5.39 The Council and Registered providers will discuss with local councillors the possibilities of unlocking smaller sites and developments within their wards and across the city to develop a local strategy and solution to positively encourage a range of tenants to downsize. The intention is to allow tenants who downsize to remain as local as possible within their communities whilst freeing much needed larger homes in areas of the city where their availability is limited.
- ***Policy Idea - The Council will invest, in conjunction with Registered Provider partners, in better marketing to older people the opportunity to downsize and provide support during any move.***
- 5.40 Extra Care housing is self-contained housing than enables older people to live independently with flexible support and the security of on-site emergency help if they need it. Over 500 affordable extra care homes are already being brought forward, of which around 150 are being delivered by the Council on sites in Whalley Range and Newton Heath and around 350 are being delivered by Registered Providers in Brunswick, Burnage, Gorton and Moss Side. There are agreed principles such as the Council retaining its assets and that the homes for rent would be at social rents.

- 5.41 Specialist dementia extra care housing for 50 people are also being brought forward in Blackley and Fallowfield. 70 apartments are being delivered for people with learning difficulties in Baguley, Gorton & Abbey Hey, Harpurhey and Moston. These have been brought forward through partnership working, small capital contributions and tapping into external funding where appropriate. However, despite this, there remains additional demand for all types of supported housing, including looking at providing support for people with ongoing complex needs.
- ***Policy Idea - The Council will develop a Supporting People Housing Strategy (including extra care, dementia friendly and learning disabilities) by March 2019 working alongside health and social care colleagues, housing providers and Greater Manchester partners.***
- 5.42 Supporting grassroots community-led housing
- 5.43 There is growing grassroots interest from people across the UK to solve their own housing needs, with Manchester being no exception. Several fledgling groups have already expressed strong interest to the Council.
- 5.44 Community-led housing chimes well with the recent Social Housing Green Paper of empowering tenants and residents. Overseas and in some other UK Cities community-led housing groups deliver a meaningful proportion of both market and affordable housing (e.g. there is a 7,000 home pipeline of community-led housing schemes across London).
- 5.45 These groups can come together based on people living in the same area or they may share common demographic features (e.g. in London there is an Older Women's Lesbian Co-housing Scheme). Whilst there is often a nucleus of people in the early stages of projects, these groups are expanded as projects take shape and develop.
- 5.46 These residents, by investing their time as well as resources, typically stay in their homes longer and form stronger communities, which is evidenced by the historic community-led Homes for Change development in Hulme. There can also be opportunities for local training and employment in the construction process. Community-led housing can also help the Council discharge its legal duty under the Housing and Planning Act 2016 to consent sufficient serviced plots to meet the demand for those that want to build their own home. At present there are around 200 people on Manchester's register wanting to do so. A paper on this duty will be brought to Executive in early 2019.
- 5.47 As the Council has limited finances, resources and land that when we support community-led housing projects with our assets, we ensure that they are benefiting those in greatest housing need, those on low income, those that do not already own their own property, those that do not have the means to buy a property or rent without major support or that live in social housing and wish to free up that home.

- ***Policy Idea - The Council will explore the feasibility of at least 3 community-led housing projects on Council land providing at least 30 affordable homes in total. At least one of these will be led by older people.***

5.48 There are various models of community-led housing (e.g. community land trusts, cooperatives etc). The feasibility work will identify the right sites, fledgling groups and models to apply, as well as how GMCA investment can be harnessed and how the Council could work with the emerging new GM Community-led Housing Hub.

5.49 Whilst there is likely to be particular demand in the South of the City, opportunities will be explored across the City and a range of different groups with different characteristics will be supported. Pilot projects would help to raise awareness of the opportunity for people to deliver their own homes, creating a new culture within the City which should extend to all housing tenures.

- ***Policy Idea - The Council will develop a strategy to unleash the potential for community-led housing of all tenures across the City by Summer 2019.***

5.50 Key Workers

5.51 The Council needs to support its key workers, including police, fire, health workers, nurses, doctors, teachers etc. Some of these need to be close to their work, wherever this may be in the City.

- ***Policy Idea - The Council will explore how it can support the City's essential key workers to access affordable homes in appropriate locations to meet their needs***

6.0 Implementation

6.1 Resources

6.2 The Council will need additional resources to deliver on the policy ideas outlined above:

- **Council land** - sufficient land needs to be reserved or acquired to deliver the affordable housing programme identified in this paper, whilst recognising that land also need to be reserved to meet other strategically important uses (e.g. employment, education, health, infrastructure, amenity etc). The scope to use existing properties will also be considered (e.g. Right to Buy buy-backs, acquiring empty properties and interventions in the Private Rented Sector).
- **Council capital and borrowing** - additional investment will need to be made to deliver these proposals, from capital and HRA borrowing. This will be fully quantified and detailed proposals brought forward in due course,

confirming the Council's ability to service additional debt. The Council will secure the best possible value for money from all of its partnership arrangements and construction supply chain.

- **Council revenue** - additional staff and consultancy expertise will be needed to provide the necessary skills and capacity (e.g. to support community-led housing projects, expert facilitators, with experience of delivering projects elsewhere, would be needed).
- **Partnership working with, and investment from, other organisations** - the Council needs to work in partnership with, and secure investment from, a number of organisations including Homes England, GMCA, joint venture developers, Registered Providers and Northwards.
- **Delivery options** - A range of delivery options will be explored for the various policy ideas, including a potential municipal housing company for some or all of the proposed Council housing.

6.3 Appropriate governance arrangements will need to be put in place to oversee this investment.

6.4 Risks

6.5 There are a number of key risks affecting Manchester's affordable housing supply. Steps are taken to mitigate these wherever possible:

- **Government policy** - national policy issues including Brexit, Monetary Policy and the future of Help to Buy could potentially have a major impact on Manchester's housing market. Officers liaise closely with No.10/MHCLG to understand and shape policy to seek to ensure it recognises the Manchester context and avoids a London/South East bias. In January 2019, the Council is hosting the Bank of England Residential Policy Commission, which informs the Bank's Monetary Policy strategy.
- **Access to Government funding** - as most development in Manchester takes place on 'brownfield' sites, access to grant is essential to site enabling, infrastructure and affordable housing delivery. Officers are working closely with GMCA and MHCLG to unlock £10.25m for Collyhurst, part of the delayed £70m GM Growth Deal. An Officer group has been formed to coordinate dialogue with Homes England, an increasingly important source of investment for the Council.
- **Greater Manchester Spatial Framework (GMSF)** - agreeing the GM Growth Deal is closely linked with finalising the GMSF, which is currently delayed until June 2019 due to uncertainty over the Government's methodology for household projections. Members and Officers are working closely with GM colleagues to expedite the GMSF (and in turn the Growth Deal). Once finalised the GMSF will inform the Council's Local Plan and the Residential Growth Strategy.

- **Total debt cap** - The Council is relatively unusual in having a total debt cap, linked to its investment in Manchester Airports Group. If the Government does not lift this cap at the review date in 2020 it would be difficult to implement the Council housebuilding plans at the rate outlined in this paper. To address this the approach taken will be to secure Government support for Manchester's Council housebuilding plans, highlighting that this arose in part from the Government's lifting of the HRA cap, and then seek to secure lifting of the total debt cap.
- **Loss of a key housing delivery supplier/partner** - Registered Providers are financially regulated and strongly committed to Manchester's communities, so the loss of one for any reason (other than through occasional mergers) is unlikely. Notwithstanding this, Officers work closely with Registered Provider partners to support their affordable housing delivery. Private sector developers take more risk and their investment is typically more footloose, with the potential to invest in other GM Boroughs and further afield. Officers work closely with major developers investing in Manchester, as they make a major contribution to the City's housing supply pipeline. One key challenge they all consistently raise is for the Council to clarify its affordability approach, which this paper plays a role in starting to address.
- **A potential downturn** - Housing markets rise and fall over time and it is now 10 years since the previous recession began. The Council undertakes significant work to understand the future direction of the local housing market. The Residential Growth Strategy is deliberately prudent. By controlling more of the supply of affordable homes, through Council housebuilding, there would be less exposure to any market slowdown impacting adversely on affordable housing delivery.

6.6 Other Considerations

6.7 There are several other considerations which the Council will need to be mindful of in shaping and taking forward these policies:

- **Design quality** - After a big push for design quality in the late 1990s and early 2000s the Government largely abandoned design quality during the recession. The Council conversely strengthened its commitment to design quality during this period, convinced it would play a critical role in creating a strong and vibrant City, which has proved to be the case. The Manchester Residential Design Guide was developed in 2016 and was then and remains an exemplar policy locally and nationally, which has guided the design of all housing schemes in the City since. Design quality is now again featuring prominently in Government policy, complementing the City's policy. As the Council steps up its affordable housing delivery this needs to be built to a high design standard, both to benefit residents and to send a strong signal to others. The Council's joint venture developers and Registered Provider partners are committed to this approach. However aspects of how we all go about delivery are holding us back and need challenging, particularly 'design and build' contracts and procurement

frameworks which typically fail to attach sufficient weight to design, as well as raising cost concerns.

- **Off-site housing** - as the name suggests, this applies to where a significant proportion of a home is built in a factory. This can range from a timber frame through to a full 'modular' home which is shrink-wrapped with its kitchen and bathroom already in place before the home leaves the factory. Off-site housing is costlier at present, but offers better quality and faster construction, reducing long term running costs and meeting housing need and collecting rents sooner. Over time this additional cost will reduce and in the meantime Homes England offers additional grant for off-site built affordable homes. At this stage no specific off-site housing system or approach has emerged as the market leader. The George Clarke TV show (mentioned above) will help the Council to consider different approaches and promote internally and externally the benefits of off-site housing. The opportunity to create an off-site housing factory in Manchester will also be explored in the medium term (most factories are currently located on the M1 Corridor).
- **Zero Carbon housing** - The Council recently committed to reaching Zero Carbon by 2038. Both existing housing accommodation and new build housing have a key role to play in achieving this. When weighing up schemes with existing buildings in place, refurbishment is likely to receive greater weighting than before due to the 'embedded carbon'. Increasing environmental standards will need to be applied to new build housing, which off-site housing can help to deliver.

7.0 Next steps

- 7.1 This paper will be considered by the Council's Economy Scrutiny Committee on Wednesday 5th December and then the Executive on Wednesday 12th December. The final paper providing it is endorsed by the Executive will then be passed to officers of the Council to explore in more detail the financial and legal issues raised and report back to Executive in early 2019.

8.0 Summary of Affordable Housing Policy Ideas

- 8.1 A number of the policy ideas above overlap. For example, the social rent within the first phase of the proposed new Council housebuilding programme would also contribute to the strengthened commitment to deliver 500 new social rented homes by March 2022. One of the 4 Housing Affordability Zones could also be an area in which new Council housebuilding takes place. The overriding target to March 2025 therefore remains the ambition to deliver at least 3,400 additional affordable homes over and above those committed of which, as identified above, 1,000 will be for social rent. This is summarised in the table in Appendix 1.

9.0 Contributing to the Manchester Strategy

(a) A thriving and sustainable city

9.1 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.

(b) A highly skilled city

9.2 The new and existing homes will be well connected to employment opportunities and schools

(c) A progressive and equitable city

9.3 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

(d) A liveable and low carbon city

9.4 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.

(e) A connected city

9.5 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

10.0 Key Policies and Considerations

(a) Equal Opportunities

10.1 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

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

(c) Legal Considerations

10.3 As the attached report contains policy proposals there are no specific legal consequences as a result of this report. Officers will consider the legal implications of the policy proposals and report back to Executive in early 2019.

In doing so officers will be particularly mindful of the rules and restrictions around the operation of the Council's Housing Revenue Account.