

## **Manchester City Council Report for Resolution**

**Report to:** Economy Scrutiny Committee - 5 September 2019  
Executive - 11 September 2019

**Subject:** Delivering Manchester's Affordable Homes to 2025

**Report of:** Strategic Director - Growth and Development

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### **Summary**

This report provides an update on progress against the policy ideas contained in the Affordable Housing Report considered by the Executive in December 2018 considering the demand for and supply of Affordable Homes in the City. It also provides further details of how the Council and its partners will deliver a minimum of 6,400 affordable homes from April 2015 to March 2025.

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### **Recommendations**

The Economy Scrutiny Committee is invited to comment on the report and endorse the recommendations to Executive as detailed below.

The Executive is recommended to:

1. Note the increase in the forecast Residential Growth delivery target for new homes in Manchester from April 2015 to March 2025 of an additional 7,000 homes to 32,000 homes.
2. Note the proposed increase in the delivery target between April 2015 and March 2025 from 5,000 Affordable Homes to a minimum of 6,400 Affordable Homes.
3. Note the limited capacity of the Council's Housing Revenue Account and the Council's Housing Affordability Fund to support new additional Affordable Homes in the city and that significant new Affordable Home delivery in the city is dependent on robust partnership relationships with Registered Providers, which currently have the financial and delivery capacity to deliver those homes.
4. Delegate authority to the Strategic Director - Growth and Development, and the Deputy Chief Executive in consultation with the Executive Members for Finance and Resources and Housing and Regeneration to negotiate and formalise a Strategic Partnership with Homes England
5. Delegate authority to the Deputy Chief Executive, Strategic Director - Growth and Development and Head of Development in consultation with the Executive Member for Housing and Regeneration, to agree the disposal of sites in

Council ownership for the provision of affordable homes as set out in this report

6. Delegate authority to the Strategic Director - Growth and Development and the Deputy Chief Executive in consultation with the Executive Members for Finance and Resources and Housing and Regeneration, to establish partnership arrangements with Registered Providers together with their partners/consortium for defined areas in the North, Central, South and Wythenshawe areas of the City.
7. Note progress against the Policy Ideas presented to Executive in the December paper by the Executive Member for Housing and Regeneration
8. Delegate authority to the City Solicitor to enter into and complete all documents and agreements necessary to give effect to the recommendations in this report.
9. Authorise the Head of Housing to explore further with local Registered Providers (RPs) the draft principles set out in Annex 1 and bring back a final policy framework to a future meeting of the Executive.

**Wards Affected:** All

<b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

<b>Manchester Strategy Outcomes</b>	<b>Summary of the contribution to the strategy</b>
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

	<p>our growing population can live and work in the city and enjoy a good quality of life.</p> <p>Project 500 will deliver development of scale to support low carbon initiatives and solutions that may not be available through piecemeal development.</p>
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

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### **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:-

- Brunswick PFI New Units
- North Manchester New Build 1 Programme
- North Manchester New Build 2 Programme

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

## **1.0 Introduction**

- 1.1 In December 2018 Executive endorsed a report on Delivering Manchester's Affordable Housing Strategy. This report proposed an increased Residential Growth target of 32,000 new homes from April 2015 to March 2025, together with a revised target of a minimum of 6,400 Affordable Homes (20% of the Residential Growth target). It also set out a number of policy ideas to contribute to deepening and broadening the delivery of Affordable Housing in the city.
- 1.2 Prior to formalising the targets, Members asked officers to explore in particular land availability and potential funding arrangements to support the delivery of a minimum of 6,400 affordable homes over a ten year period to March 2025. This report sets out the details of how this target will be met and the range of delivery options being considered and proposed.

## **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 a number of important sectors across the City. There are 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.435,000m<sup>2</sup> of new Grade A space over the last two years (Deloitte Crane Survey) and a further c.460,000m<sup>2</sup> is under construction or planned.

### **Job Growth creating Housing Demand**

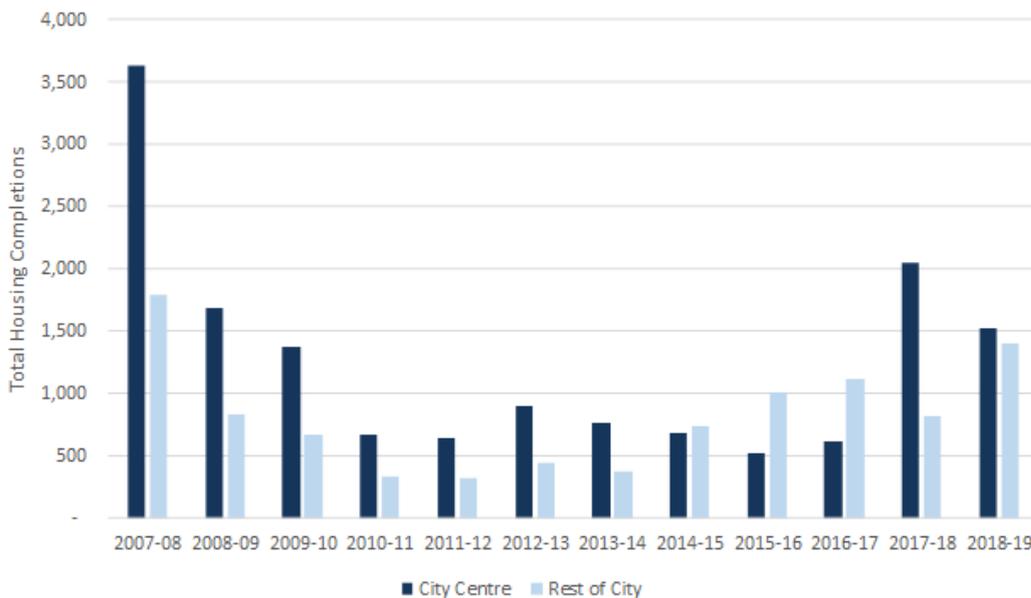
- 2.2 The growing economy and increasingly diverse opportunities for employment are attracting significant numbers of people who want to live in Manchester. According to the last Census (2011), Manchester was the fastest growing City and the third fastest growing Local Authority area between 2001 and 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 neighbourhoods such as Gorton and Moston.

- 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.

### **New Homes in the City**

- 2.5 Over 5,400 homes were completed in Manchester at the height of the market in 2007/08 but this scale of delivery ended abruptly as the financial crash of 2008, and the subsequent economic recession, took hold having a dramatic impact on the financing of house building in the City. This led to an almost instant removal of investment finance from the market and, together with an absence of High Street bank lending, combined to constrain development of house building at scale with no appetite from banks and other financial institutions to invest in any form of apartment type development in the core of the conurbation. The result was a housing pipeline that between 2010/11 and 2016/17 failed to get above between 1,000 to 1,500 completions per annum, with most homes delivered outside the city centre.



- 2.6 In the period prior to 2016/17 Manchester's population growth was accommodated by a more efficient use of the existing housing stock, in particular, with residents' occupying empty properties. This coupled with a chronic undersupply of new homes resulted in record low vacancy levels and the scope for new household growth significantly constrained. Throughout this period, the task of encouraging new housing supply in the city, and in particular the city centre, has been a significant challenge with developers and

fundholders reluctant to expose themselves to significant development risk. The establishment of the Greater Manchester Housing Investment Fund (GMHIF) in June 2015, and the essential development finance this funding agreement with Government has delivered, has helped to unlock mainstream institutional finance to fund new homes in Manchester. This Fund, along with other forms of Government support such as Help to Buy, have helped drive a recovery in the overall numbers of homes being completed in Manchester (c.3,000 per annum in both 2017/18 and 2018/19).

- 2.7 Looking forward, a further c.14,000 new homes are forecast to be completed by March 2022<sup>1</sup> (2019/20 to 2021/22) as current forecasts suggest that in 2019/20, Manchester may come close to the 2007/08 peak of 5,412 homes. The support that the GMHIF is playing to the delivery of these forecast number of completions cannot be understated. These homes that are currently under construction and will be delivered in this and the subsequent two financial years are probably going to be a high watermark for the City.
- 2.8 Notwithstanding the continued forecast growth in the numbers of jobs within the Manchester economy over the next decade a number of factors are now starting to influence the appetite of the market to bring forward new supply, particularly in the City Centre which is linked to the appetite of financial institutions to support further residential development. These challenges for funding are associated with the uncertainties for the national and the Manchester economy generated by both Brexit and the wider global economic uncertainties. The impact of this fiscal landscape is now leading to a slow down in the pace of schemes being brought forward for development.

### **The Social Context**

- 2.9 In parallel with the unprecedented levels of population growth in the city there has been a very significant impact on the housing market arising from the impact of the 2010 Coalition Government's and the Conservative Government's austerity measures and associated welfare reforms. 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. The challenges faced by many who confront their "income crisis" in their day to day lives have risen significantly over the last decade. 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.
- 2.10 In the last ten years Manchester residents have also seen little or no improvement in their living standards. At a national level, average (median) earnings have remained 2-3% below levels in 2007/8 and they show little sign of rising significantly in the future. If the forecasts up to 2020 are correct, the IPPR believe that the 2010s will be the weakest decade for average real earnings in 200 years. Aligned with the lack of improvement in living standards has been the significant growth in zero hours contracts and self employment

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<sup>1</sup> Assuming all schemes currently under construction and with full planning permission (expected to complete by March 2022) are delivered to schedule

driven by businesses seeking to take advantage of a more flexible workforce and minimise social security liabilities. Such casualised conditions of employment are further contributing to locking low paid workers and their families into poverty.

### **The Delivery of Affordable Homes**

- 2.11 Since 2010, the previous Coalition Government and the current Government have promoted the delivery of new homes for purchase at the expense of homes to rent, particularly those at social and affordable rent levels. At the heart of this has been the Government cuts, both to Local Authority budgets and to Registered Provider rents and hence spending power. A recent report by the Chartered Institute of Housing 'Dreams and Reality - Government finance, taxation and the private housing market' highlighted that about £8bn of Government investment a year is going into the private housing sector over the five years to 2020-21 – with over half of that being spent specifically on supporting home ownership (including Help to Buy). Over the same five years, direct funding for new Affordable Housing amounts to less than £2bn annually with c£800m of this expected through the lifting of the borrowing cap for Local Authorities.
- 2.12 As set out above, during this same period the impact of the Government's welfare reforms are clearly impacting on the housing market, affecting those on low incomes and a range of vulnerable households, particularly but not exclusively those living in the private rented sector.
- 2.13 The growth of the Manchester economy and the resultant employment growth has been accompanied by a continued demand for homes in the City, which has brought some challenges. The strength of demand for housing - particularly in the private rented sector combined with welfare reforms has seen some private landlords switching to tenant profiles not in receipt of benefits. At the same time the expansion by the Government of Right to Buy policies has seen more social and affordable rented properties lost. The higher rents, limited security and poorer quality of much of the private rented sector has exacerbated the challenges, leading to increasing levels of homelessness and an increasing reliance on temporary accommodation, some of it outside the City boundaries.
- 2.14 All of these drivers has meant that fewer properties are available for Manchester residents on lower incomes. Manchester's Housing Register has been increasing for years and now has just over 15,000 live households on it of these, almost 5,000 are classed as in housing need. The turnover of social homes at its lowest in recent years with just 2,500 new tenancies let in 2018-19 which means prospective tenants will be waiting longer to be rehoused, some of whom will not be offered social housing for a number of years.

## **Delivering New Affordable Homes - the role of Homes England**

2.15 The 5 year Shared Ownership and Affordable Homes Programme (SOAHP) was launched in April 2016 with a £4.1bn (SOAHP Prospectus 2016 -21) fund to deliver:

- 135,000 shared ownership homes
- 10,000 Rent to Buy homes; and
- 8,000 homes for supported and older people's rental accommodation

Apart from the older peoples' rental accommodation this signalled a clear shift in government policy to focus directly on affordable home ownership.

2.16 Due to increased lobbying from Registered Providers and Local Authorities the funding was increased by £1.4bn (SOAHP addendum to prospectus 2017) in January 2017 and £1.67bn (SOAHP addendum June 2018) in June 2018 to deliver :

- 40,000 new homes introducing Affordable Rent as part of mixed tenure schemes
- 25,000 new homes with the majority for Social Rented housing

This took the total funding available for affordable homes to just under £7.2bn but more importantly it opened up the opportunities for Local Authorities and Registered Providers to bid for grant to provide for Social and Affordable rented housing.

2.17 Since its creation in January 2018 by the Government, Homes England (formerly known as Homes and Communities Agency), along with this significant new investment, has provided both new impetus and new opportunities for Manchester to deliver on our ambitions for new homes in the city and in particular for new affordable homes to be delivered. In October 2018 Homes England set out how it would improve housing affordability through a new five-year Strategic Plan – helping more people access better homes in areas where they are needed most. The plan, which runs up to 2022/23, outlined Homes England's new mission and the steps the national housing agency will take, in partnership with all parts of the housing sector, to respond to the long-term housing challenges facing the country.

2.18 Over the next five years Homes England will provide more access to better homes in the right places by:

- Supporting the affordable housing market;
- Providing investment products;
- Unlocking and enabling land particularly brownfield land;
- Delivering home ownership products, such as Help to Buy;
- Supporting Modern Methods of Construction (MMC);
- Addressing the barriers facing smaller builders; and
- Providing expert support to priority locations.

- 2.19 The Strategic Plan sets out Homes England's agreed Budget and provisional budgets for investment into the delivery of their investment priorities. At present c.£27bn in total will be invested into those priorities with c.£5.5bn being allocated into the Housing Infrastructure Fund which has the capacity to help underpin the investment needed to unlock brownfield land. The Plan states that budgets beyond March 2021 will be agreed following the Comprehensive Spending Review that is expected to be completed later this year.
- 2.20 Key to the delivery of new affordable homes is the Homes England Strategic Partnerships Programme with Registered Providers (RPs). The Strategic Partnership Programme seeks to work with a limited number of RPs and to provide greater flexibility over how and when grant funding can be drawn down through the Homes England Shared Ownership and Affordable Homes programme, working towards the delivery of at least 130,000 affordable housing starts by March 2022. The resources available are now significant in both scale and focus.
- 2.21 These partnering arrangements will play a major role in Manchester going forward and combined with deploying our land investment intelligently will deliver the necessary affordable housing outcomes required by the City.

### **3.0 Delivering New Affordable Homes in Manchester**

- 3.1 To support the City's continued economic recovery and growth, the Council developed an ambitious Residential Growth Strategy in 2015, which sought to deliver a minimum of 25,000 new homes in Manchester between April 2015 and March 2025. Given the current performance of the housing market it is estimated that by March 2021 circa 20,000 homes will have been completed in that six year period including forecast c.5,000 new homes this year (2019/20) and next (2020/21)<sup>2</sup>. This is expected to represent a high watermark for the city as a number of factors linked to Brexit start to influence the appetite of the market to bring forward new supply, particularly in the city centre. It is therefore anticipated that c.12,000 new homes will be completed in the remaining four year period of the ten year Residential Growth Strategy with completions averaging c.3,000 per annum to March 2025. If these forecasts are accurate then the ten year Residential Growth Strategy will deliver circa 32,000 new homes in the city between April 2015 and March 2025, with a revised target of a minimum of 6,400 Affordable Homes (20% of the Residential Growth target).

#### **The Delivery of New Affordable Homes to March 2021**

##### **April 2015 to March 2019**

- 3.2 Between April 2015 and March 2019 1,044 Affordable Homes were completed within Manchester:

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<sup>2</sup> Assuming all schemes currently under construction (with full planning permission) are delivered to schedule

<b>Tenure</b>	<b>Number of homes completed</b>
Affordable Rent	559
Social and Sheltered Rent	124
Shared Ownership	361
<b>Total</b>	<b>1,044</b>

- 3.3 In terms of funding sources, 181 (North Manchester New Build {60} and Brunswick {121}) and of these homes were funded through the Council's Housing Revenue Account (HRA) with the majority (863) funded and delivered by Registered Providers (RPs). Just under 25% of these new affordable homes were built on land owned by the Council.

### **March 2019 to April 2021**

- 3.4 A further 1061 Affordable Homes are currently being constructed, all to be delivered by RPs or developers in conjunction with RPs:

<b>Tenure</b>	<b>Number of homes to be completed</b>
Affordable Rent	80
Social and Sheltered Rent	453
Shared Ownership and Rent to Buy	528
<b>Total</b>	<b>1061</b>

- 3.5 The number of homes on site now is more than what was delivered over the last 4 years. This is due in part to a more strategic approach and partnership working between the Council, its RP partners and Homes England. This increased delivery is also down to the Council making available more of its land assets. Just under 50% of all these new affordable homes are being built on Council owned land.
- 3.6 In addition to the 1061 homes that are being constructed, a further 969 Affordable Homes are currently in the pipeline (with land and funding secured) to be delivered by March 2021:

<b>Tenure</b>	<b>Number of homes to be completed</b>
Affordable Rent	215
Social and Sheltered Rent	216
Shared Ownership and Rent to Buy	538
<b>Total</b>	<b>969</b>

- 3.7 As with the homes currently under construction land in the Council's ownership is playing a fundamental part in the increased delivery of affordable homes supporting just over 50% of the planned numbers.

### **Council Funded schemes**

- 3.8 Alongside its significant land investment, and previously completed affordable homes the Council's HRA is funding 19 more social rented homes and an Extra Care scheme (60 new homes at sheltered rent) in the Brunswick PFI area . Both schemes are currently on-site and will be complete by September 2020.
- 3.9 Officers are also developing proposals for a further 3 council funded affordable housing schemes schemes:
- 75 Social and Affordable rented homes in North Manchester. It is anticipated that the HRA will fund this scheme.
  - A groundbreaking LGBT Affirmative Extra Care scheme (circa 89 homes - 77 for rent and 12 for sale) in South Manchester. Funding options are currently being considered for this scheme.
  - **Collyhurst** (Up to 130 social rented homes) - will be developed in Collyhurst as part of a mixed tenure development of up to 500 new properties within the Northern Gateway regeneration programme. The properties will be delivered through our joint venture partnership with the Far East Consortium and consultation with the community and other stakeholders is underway with a start on site currently envisaged early in 2021. The full programme of development for the scheme is anticipated to be in the region of two years, with all properties completed and occupied in 2023.
- 3.10 Once these schemes have been developed in more detail approval will be sought from Executive later this year to proceed.

### **The Delivery of New Affordable Homes: April 2021 to March 2025**

- 3.11 The Affordable Housing Report presented to Executive in December 2018 emphasised the need for the Council to lead and enable the repairing of the housing market for those households on low and very low incomes. The following sections look forward to highlight the challenges and opportunities the council will face by increasing the level of affordable homes in Manchester.
- 3.12 Over the ten year period between April 2015 and March 2025 the Council is forecasting that circa 32,000 homes will be completed in Manchester. Our Local Plan 2012 - 2027 has a 20% affordable housing target. As such our ambition will be to deliver a minimum of 6,400 affordable homes in that same period (April 2015 to March 2025), accelerating the numbers to be delivered prior to March 2021 where possible. This will mean that, as a minimum a further 3,400 new Affordable Homes will be delivered between April 2021 and March 2025.
- 3.13 To deliver this scale of Affordable Housing needed within the city, the vast majority of the investment requirement needed will be dependent on finances from Homes England and Registered Providers with a comparatively limited amount of investment support from the Council's Housing Revenue Account and General Fund. Subject to the above funding being in place and the

potential for additional subsidy from the Council the ambition will be to deliver an equal split of the 3,400 new affordable homes between:

- Social Rent
- Affordable Rent
- Shared Ownership

3.14 Critically, as we can see, as the programme has developed since 2015 it will be the investment of Council land that will be a key enabler to unlocking the increased numbers of homes to be delivered.

#### **4.0 Funding New Affordable Homes in Manchester**

4.1 To deliver the scale of Affordable Homes needed in the city between now and March 2025 will require significant investment. To put this into context circa £325m will be required to deliver the current April 2019 to March 2021 programme of 2030 new affordable homes. This will be Homes England grant subsidy required of c.£95m (assumes grant at £47,000 per property. with a further £230m construction funding from the Council and RP partners. Therefore it will be necessary to maximise funding from all these sources if Manchester is to deliver a minimum of 3400 new affordable homes by March 2025.

#### **The City Council's Housing Revenue Account**

4.2 The 30 year HRA is currently predicted to go into deficit in 2039/40 which is the consequence of the four year reductions in rent introduced by the Coalition Government (2019/20 being the last year). Prior to this the HRA was projected to be in surplus over 30 years. The Council is not legally permitted to let the HRA go into deficit so has to act prudently to prevent such a position.

4.3 This presents the Council with significant challenges in terms of the HRA being able to support additional new Affordable Homes to March 2025 (that is, over and above the 465 that are completed, being funded or proposed to be funded through the HRA to March 2021). If the 3 proposed schemes in 3.9 of this report are approved then this will equate to Council investment of around £55m from the HRA delivering 465 new homes.

4.4 In order to deliver additional HRA funded new build affordable housing further improvement would be needed to the HRA than is feasible at the present time. This would require the Government to support changes to the framework which governs the operation of the HRA and make changes to policy (e.g. in relation to Right to Buy, which places a significant drain on the HRA).

#### **Securing grant support from Homes England (HE)**

4.5 Homes England investment will continue to be critical to delivering the majority of both HRA-funded and Registered Provider led Affordable Housing. If all of the c.3,400 new affordable homes were developed this would be a construction programme of over £540m with grant accounting for c.£160m of

this figure (assuming an average grant rate of £47k per home). This grant can be accessed through two primary routes:

- **Shared Ownership and Affordable Homes Programme (2016 -21) -** Significant national headroom is understood to exist in the current programme for all tenures, including social rent.
- **Strategic Partnerships -** HE has allocated £1.7bn nationally to the Strategic Partnerships to deliver 40,000 new homes. There are 23 RPs nationally with new Strategic Partnerships and the grant funding they have been allocated can be spent up to March 2024. Strategic Partners currently developing in Manchester include Great Places, Places for People and Your Housing Group, who collectively have access to £191m of investment to deliver 5,668 new affordable homes. Although these all operate across the North West of England and beyond wider than Manchester we are aware from discussions with them that Manchester is a priority location for their investment.

- 4.6 Due to the scale of Manchester's proposed affordable homes programme and the level of grant funding required from Homes England it will be necessary to develop a new and improved strategic partnership with them. Early discussions have taken place and officers are now setting up a series of meetings with senior representatives from Homes England to consider how this can be achieved. The partnership would be based around a number of shared priorities and schemes that would deliver significant numbers of new homes such as the Northern and Eastern Gateways. It would also maximise all types of grant funding support from HE to unlock sites and accelerate the delivery of new homes.

#### **Unlocking the Investment Capacity of Registered Provider (RP) partners**

- 4.7 The Council alongside 23 Registered Providers has formally established the Manchester Housing Providers Partnership (MHPP). The MHPP is now an established structure with a range of workstreams set up to contribute to the delivery of Our Manchester priorities. This not only involves new build development but focuses on the allocation and letting of Manchester's 68,000 social homes and managing large neighbourhoods across the city.
- 4.8 As the Council's current investment capacity through the HRA and GF is limited it will be essential to work with the MHPP and new Registered Providers to deliver a very significant proportion of the minimum 3400 Affordable Homes required in Manchester by March 2025.
- 4.9 In financial terms this will equate to around £380m further investment from Registered Providers over the four year period from April 2021 to March 2025.
- 4.10 A number of discussions have taken place individually and collectively with these Registered Providers and the Council is now exploring the potential for Homes England Strategic partners to invest in various locations in the city aided by the additional funding made available through the Homes England

Strategic Partnerships programme, along with the cross subsidy from other assets in their portfolios.

### **Section 106**

- 4.11 Within the current Manchester Core Planning Strategy Policy H8 requires that any new development will contribute to the City-wide target for 20% of new housing provision to be affordable and that developers are expected to use the 20% target as a starting point for calculating affordable housing provision. Developers should provide new homes that are available for social rent, affordable rent or affordable home ownership, or provide an equivalent financial contribution. An applicant may be able to seek an exemption from providing affordable housing, or a lower proportion of affordable housing, a variation in the mix of affordable housing, or a lower commuted sum, where a financial viability assessment is conducted which demonstrates that it is viable to deliver only a proportion of the affordable housing target of 20%; or where material considerations indicate that intermediate or social rented housing would be inappropriate.
- 4.12 All planning applications that do not propose a 20% on site Affordable Housing provision must be accompanied by a Viability Assessment. The assessments costs and values are robustly tested and analysed. Evidence from recent assessments indicate that in the current economic environment there is insufficient value created in new residential schemes to support the provision of 20% on site affordable homes and remain viable when these are examined at application stage. Notwithstanding this, developers have agreed to support this key objective on the basis of confidence in the Manchester market, with some taking a longer term view on investment and development in the city. This has manifested itself in some on site provision or an off site financial contribution where profit margins are below that contained in the relevant guidance.
- 4.13 The introduction of the new NPPF and NPPG provides the framework for the Council to mitigate the effects of conducting upfront viability assessments, based on scheme estimates, with a reconciliation appraisal based on actual performance of the scheme. The purpose of this is to capture additional financial contributions that may accrue through added value, cost/contingency savings or both. These arrangements are now attached to all permissions where developers seek exemption to 20% affordable homes requirement through financial viability.
- 4.14 It is not clear how the Government's approach, as set out in the National Planning Policy Framework (NPPF), to viability testing at plan making stage will impact and influence policy in a revised Core Strategy. The thrust of the NPPF is that policy requirements must be realistic and deliverable, based on evidence and an engagement with developers, landowners together with infrastructure and affordable housing providers.

## **The City Council's Housing Affordability Fund**

- 4.15 At its meeting in October 2017 Executive approved the establishment of the Manchester Housing Affordability Fund (HAF). This would bring together a range of funding sources such as Right to Buy (RtB) receipts and as mentioned in the previous section developer contributions through Section 106 to support the delivery of affordable homes in Manchester. Any resources within the HAF will be deployed to:
- Deliver new or existing homes that will be affordable to residents on or below the average household income for the city;
  - Support the development of a range of products that will provide Manchester residents an affordable option to buy or rent a home in the city;
  - Free up existing social rented homes, including working with Registered Providers to ensure that no social rented homes are lost through voluntary sales to the private sector;
  - Provide a form of specialist or supported home;
  - Maximise the use of any external funding; and
  - Provide housing that is located in areas reasonably accessible to jobs markets using public transport.
- 4.16 A number of projects have already been supported using £2.4m of the Housing Affordability Fund and the current balance is £342k.

## **5.0 Availability of Land for Affordable Housing**

- 5.1 RP partners such as One Manchester, Great Places, Wythenshawe Community Housing Group and Southway have been actively acquiring significant land interests in private ownership to support the delivery of Manchester's Affordable Homes Programme. We would expect this to continue but probably not at the level it has been in previous years due to land value expectations of some private landowners driven by competition and demand from the private sector for housing land. This is being managed to an extent through the planning process as the Council requires reconciliation s106 agreements, and through the adoption of benchmark land value in financial viability, which has the effect of adjusting any inflated land purchase costs back to a planning policy compliant level. Developers can not rely on future house price inflation to support inflated land premiums.
- 5.2 However, there is still very clear evidence of Registered Providers competing in the market for privately owned land. For example, Your Housing Group has recently acquired a large site in East Manchester that will deliver circa 200 homes. From early discussions with YHG it is anticipated that up to 60% of these will be affordable. YHG are also in discussions with a number of landowners on key strategic sites in the City and if successful will bring forward a significant number of affordable homes on them.
- 5.3 Although acquisition of private land by partners is really encouraging it will be the availability of land in the Council's ownership that will be a key driver in the

delivery of the new affordable homes required in Manchester. Section 3 of this report set out that between 2015 - 2019 25% of the new affordable homes were built on land owned by the Council. Over the next 2 years this will nearly double to just under 50% of the Affordable Homes Programme

- 5.4 This increase in the use of Council owned land cannot be underestimated in terms of accelerating the delivery of new affordable homes in Manchester. Therefore it is extremely important that the Council continues to make available land to partners to develop. Using current levels of Council owned land in the programme will mean disposing of sites that will deliver a minimum of 1700 affordable homes (50% of the minimum target of 3400) by 2025.
- 5.5 An initial review of site availability has been undertaken using the latest draft Strategic Housing Land Availability Assessment (SHLAA) evidence base, which records sites with potential for residential development for 10 homes or more as at 31 March 2018. This review has highlighted that there are currently suitable housing sites in City Council ownership that can deliver a minimum of 1700 new Affordable Homes. On sites of up to 50 homes the potential for 100% Affordable Housing has been assumed. On larger sites the potential for 20% Affordable Housing has been assumed, to deliver mixed tenure development.
- 5.6 It is proposed that the Head of Development in consultation with the City Solicitor will develop a land release mechanism to ensure Value for Money is achieved in the disposal of the City Council owned land. It is important that the Council secures land value in line with other landowners selling land for development where this is feasible, though to secure better affordable housing outcomes may require some flexibility. Such an approach will enable a mix of tenures to be delivered on the site and enhance the opportunity to leverage in Homes England subsidy into the delivery of new homes. This land could also be invested through:
- Recycled and Deferred Land receipts
  - Equity Stakes
  - Disposal at less than best consideration

This release of land will be a fundamental part of the Manchester Affordable Homes Programme but there will also be a requirement for new delivery partnerships and approaches. Any release of land will be on a leasehold basis unless there is an over-riding reason not to.

Not all Council land should be identified for the delivery of affordable housing. Some sites will be more suited to delivery of open market housing, which through the planning process, will also contribute to affordable housing targets, as well as generating capital receipts to the Council.

### **Social Value**

- 5.7 As the Council will be investing such a substantial amount of land into the delivery of affordable homes in Manchester this presents a real opportunity to

maximise the social value for its residents. The Council will be increasing the level of training, skills and long term employment through the delivery of the programme by its RP partners. A separate workstream of the Manchester Housing Providers Partnership (MHPP) Growth group will focus on this work alongside officers from the Council.

## **6.0 Developing New Delivery and Partnership Arrangements**

- 6.1 To deliver the scale of new affordable homes outlined within this paper there will need to be a cultural shift away from individual discussions and disposals with RP partners to a more collaborative approach. The acquisition of larger homes for homeless families project was a good example of how a collaboration of seven RP partners could work with the Council to boost the funding and buying power of affordable homes. This approach has now been considered to deliver more affordable homes on council owned land.
- 6.2 The Council also expects its Registered Provider partners to retain as much social housing in the city as possible. RPs seeking to dispose of properties will be expected to find a suitable alternative RP to ensure that properties remain in the social rented sector.
- 6.3 We propose to take forward this approach working in collaboration with the MHPP Growth Group which is made up of 14 developing RP partners on a three-pronged basis: -

### **i) Small Sites - Project 500**

- 6.4 The proposal is for the MHPP Growth Group led by One Manchester to deliver an initial programme of 500 affordable homes on small sites. A small site is defined as being able to deliver circa 25 homes. This collaborative approach would harness the capacity and resources of the partnership which includes a range of local, regional and national organisations with a long term interest in the management of these homes and significant neighbourhood investment. This would build on existing collaborations such as the Manchester Extra Care Programme and the purchase of larger homes for homeless families. The key elements of the proposal are:
- Securing innovation by accessing the combined strength resources and experience of more than 1 partner but through a single lead, building upon best practice from current collaborations;
  - Providing access to Homes England grant funding, through CME and Strategic Partnerships gives the best chance to achieve delivery by the end of the programme period;
  - Delivering the Council's Affordable Housing aims, tenures and innovations whilst maximising the land receipt to the Council;
  - Providing expertise in delivering on complex brownfield sites in Manchester and across the wider Greater Manchester area;
  - Providing an opportunity for a single supply chain and MMC provider where suitable;
  - Delivering excellence in design to Homes England and local standards;

- A tenure mix that will be achieved through partnership with Homes England grant funding support to deliver against the Council's Affordable Housing Policy; and
- Added Social Value from working with neighbourhood investors with a long term vested interest in delivering affordable housing on both MCC and private sites and undertaking a Neighbourhood Management role too.

6.5 This proposal needs to be finalised to ensure compliance with City Council Procurement regulations and State Aid. Executive are therefore asked to delegate authority to the Strategic Director - Development, Deputy Chief Executive & City Treasurer and the City Solicitor, in consultation with the Executive Member for Housing and Regeneration, to dispose of sites in MCC ownership to deliver a minimum of 500 affordable homes on small sites.

### **ii) Medium Sized Sites**

6.6 It is also proposed the City Council will invest a number of medium sized sites within its ownership to support the delivery of the affordable homes programme. A medium sized site is defined as being able to deliver circa 50 homes. Given the potential value of this land release and the conditions the City Council will apply to the disposal it will be necessary to undertake a competitive process to comply with public procurement rules.

6.7 Through this process the City Council will seek to appoint a number of Registered Provider partners to deliver new build affordable homes across defined areas in the North, East, Central, South and Wythenshawe areas of the city. It is proposed that this will be achieved through a single process with a number of 'lots' for each of the areas.

6.8 The selected partners will need to demonstrate they have:

- A strong track record in the delivery of high quality affordable homes
- Access to sufficient grant funding from Homes England to deliver the level of homes required
- Additional resources to cover the cost of the construction programme
- Ownership and management of affordable homes in Manchester
- A demonstrable Social Value programme in Manchester

### **iii) Larger Sites**

6.9 In a small number of areas the opportunity may present itself to work on a larger scale with specific MHPP partners where they hold significant levels of housing stock adjacent to or containing land parcels in the ownership of the City Council and land owned by third parties that could be re-purposed for residential development.

### **Grey Mare Lane Estate**

6.10 An example of this type of larger site opportunity is the Grey Mare Lane Estate in Beswick, which was originally built by the City Council some 50 years ago

as part of a programme undertaken to replace poor quality pre 1919 terraced housing with new council houses and flats. The Estate was included in housing stock that was transferred from the City Council to Eastland Homes in 2003 (now One Manchester). One Manchester own and manage over 12,000 affordable homes in east, south and central Manchester including 978 homes in the wider Beswick area of varying age, construction type and condition. While the southern end of Grey Mare Lane has been transformed through a programme of community education, sports and leisure facilities; the northern part of Grey Mare Lane is characterised by largely residential development, infill sites and community uses, where the potential exists for further investment both in the improvement of existing homes and the delivery of new affordable homes or additional local facilities through better utilisation of vacant or underused sites.

- 6.11 Working in conjunction with the City Council, One Manchester has taken the lead in exploring the potential for delivering a transformational programme for the northern part of the Grey Mare Lane neighbourhood. A consultancy team was appointed to review options for a predominantly residential led scheme focussing on affordable homes. This followed early consultation with local residents during 2018 to gather the views of local communities about the regeneration of the area and to inform future master planning options. One Manchester has also carried out asset condition surveys that identifies the properties within the Grey Mare Lane estate that are of non- traditional, Wimpey no- fines construction. The flats and maisonettes, in particular, have a number of issues such as persistent water ingress and the homes suffer from significant heat loss issues due to their design.

#### The Regeneration Opportunity

- 6.12 One Manchester is now undertaking more detailed consultation with local residents on the Estate and with other stakeholders for proposals that will include some selective demolition of existing dwellings and the construction of new housing on development sites created, together with bringing back into use sites that are currently vacant. Proposals will be based around a mix of dwelling types including well planned apartments and family homes, with the design of the residential community planned around clear and safe pedestrian and cycle routes with parking carefully managed to maximise the quality and extent of green spaces. Proposals will also be developed with the ambition of delivering new and refurbished homes on a Zero Carbon basis.
- 6.13 The December 2017 meeting of Executive agreed that the City Council should work with One Manchester to identify how respective land holdings in Beswick, Clayton and Lower Medlock Valley could be utilised to deliver improvements to existing stock, plus new housing development of significant scale.
- 6.14 The City Council owns land around the Grey Mare Lane estate and this land will need to be invested in the scheme to enable the regeneration proposals to be brought forward. The Council also owns a parcel of land nearby at Blackrock Street and this site can be brought forward by One Manchester as an early Affordable Housing scheme to create some early momentum and a

separate report on this agenda will set out a recommendation for the disposal of land in this location to facilitate this.

- 6.15 A further more detailed report will be brought back to the Council's Executive following the community consultation exercise, which will include recommendations for the future utilisation of land in the Council's control to ensure that the shared objectives of the Council and One Manchester to deliver improvements that are of benefit to existing residents and create significant new development opportunities are fully realised.

#### **iv) City Centre Feasibility Study**

- 6.16 Officers have commissioned a financial consultant and are working with 2 Registered Providers to undertake a feasibility study into the provision of affordable homes in the City Centre. One Council owned site in each of the City Centre wards is being considered for the study. One of the sites will be a larger mixed use scheme and the other will be a smaller infill site.
- 6.17 The feasibility study will focus on apartments in line with City Council Planning requirements and will consider various forms of affordable housing and the required level of subsidy to make the development feasible. The results of the study will be completed before the end of this calendar year and an update report provided to the Economy Overview and Scrutiny Committee.

#### **Right to Buy (RtB) Buy Backs**

- 6.18 The Housing Act 2004 introduced a requirement for owners wishing to sell their property within ten years of purchasing under Right to Buy to offer the property back to the Council before placing it on the open market. The Housing (Right of First Refusal) (England) Regulations 2005 set out the procedures that owners wishing to sell their property are required to follow.
- 6.19 An Annex to this paper explores the approach to buying back former Council homes.

#### **Community Led Housing**

- 6.20 Community Led Housing is where residents come together to take on a leadership role in the design and delivery of their new homes. The Government has introduced the Community Led Housing Fund which recognises that genuine Community Led Housing projects all share 3 common principles:
- Meaningful community engagement and consent occurs throughout the development.
  - There is a presumption that the community group or organisation will take a long-term formal role in the ownership, stewardship or management of the homes.

- The benefits of the scheme to the local area and/or specified community group will be clearly defined and legally protected in perpetuity.
- 6.21 This is further backed up by the Government announcing have released a fund that will support resident led housing. Volunteer groups are able to apply for between £10,000 and £50,000 to help identify suitable sites for discounted homes, get planning permission for them and to provide other technical support. Further free specialist advice and guidance will also be made available for those who participate in the pilot.
- 6.22 The government will be making £8.5 million available for the 3 year pilot project which will help provide cut-price homes for younger people and families in need of housing, through locally-led neighbourhood plans.
- 6.23 This is also echoed in research reports released by the National Community Land Trust Network (NCLTN) in which they state that councils have sold over 200 sites to community-led housing groups, with new research revealing a third of local authorities in England now support such development. The research focuses on Local Authorities that are based in the South of England (Bristol, Brighton and Cornwall), which is also an opportunity for Manchester to pave the way for other northern cities.
- 6.24 There is no single model and Community Led Housing could be applied in Manchester in a number of ways. These models are currently being worked through by a small project team and the Executive Member. To further strengthen the commitment to Community Led Housing and to enable groups to initiate their plans we are currently in the process of identifying, alongside planning colleagues, 3 plots of land to offer to groups. Currently a site has been secured in the North of the city in the Northern Gateway boundary and is in Phase 1 of the project. We hope to agree further sites by late September 2019. This will coincide with an event in late October that brings established community groups, Registered Providers and skilled facilitators together to confirm the pilots.
- 6.25 These pilots will run alongside the development of a Community Led Housing strategy for Manchester in 2020 and will include all learning.

### **Affordable Housing for Specific Groups**

- 6.26 Officers are currently working on the development of a Supported Housing Strategy for Manchester. Workshops have been held with key partners and stakeholders to scope out Manchester's approach to the delivery of supported housing for a range of groups that will be evidence led to identify the right homes in the right locations. It is anticipated that a report will be brought to the Executive early in 2020.
- 6.27 Evidence from Manchester's Housing Register is currently being used to inform the future development of affordable homes across the city. One of the key aspects of this work will be a number of schemes that will be targeted at

tenants under occupying family homes. This is primarily focussed on older person's accommodation at the moment through the provision of Extra Care schemes utilising Housing Options for Older People (HOOP) officers.

### **Design quality, offsite housing and zero carbon**

- 6.28 The Council is raising the quality of affordable homes through its Residential Design Guide and more design led schemes such as the proposed LGBT Extra Care and North Manchester Schemes mentioned within section 3 of this report. These will be exemplar schemes and the council will be seeking to bring forward measures that will move towards a zero carbon development
- 6.29 The use of off-site construction techniques and modern methods of construction are key considerations in both schemes and will be promoted with RP partners delivering affordable homes in Manchester especially on council owned land. All new schemes being delivered directly by the Council, will be working towards Zero Carbon employing new and existing options to achieve this.
- 6.30 As the UK's first age-friendly city (2010) Manchester has a clear vision and priorities for housing for an ageing population as reflected in the Manchester: A Great Place to Grow Older Strategy (2010-2020). The strategy is due to be refreshed shortly - a key focus of which will be the design of housing and places in which people in mid and later life are economically, physically and socially active, and where they are healthier, safe, informed, influential, independent and respected. New housing will be designed and located in places where people can age well in neighbourhoods of their choice, with access to the right services, housing, information and opportunities.
- 6.31 Flexible, well-planned, high-quality housing will offer choice about how and where older people live, widening the choice and opportunity to access housing that supports continued independence, maintains social interaction and tackles fuel poverty. This could include extra care retirement living that can reduce residential care placements, facilitate earlier hospital discharges or prevent emergency admissions.

### **7.0 Proposed Affordable Housing Tenure**

- 7.1 So far this paper has considered funding sources, land availability and delivery partners and arrangements but the most important factor for the Council, Members and residents will be the type of affordable homes that will be built. This will be largely influenced by the cost of the whole programme and individual cost of building homes for social and affordable rent and shared ownership.
- 7.2 The cost of delivering the various affordable tenures is very different. Therefore the choice and proportion of affordable tenure across these sites will largely be determined by the amount of additional subsidy that the City Council can provide once RP resources and Homes England Grant has been maximised.

- 7.3 This financial consideration will also need to be run alongside the existing housing within the neighbourhoods the sites sit within, the demand for affordable housing tenure and the type of housing required. This will be developed into a clear and transparent selection process that will provide a robust indication of what affordable homes it is possible to deliver. It is proposed that the agreement and approval of this process is delegated to the Deputy Chief Executive & City Treasurer and the Strategic Director, Growth and Development in consultation with the Executive Member for Housing and Regeneration.

### **Reducing the adverse impact of the Right to Buy**

- 7.4 In its latest research paper 'Local Authority Direct Delivery of Housing' the Royal Town Planning Institute (RTPI) undertook a comprehensive review of work across the country. One of the key concerns by Councils was the use of the Housing Revenue Account when it continues to have Right to Buy provisions whereby stock which is being built now will eventually be lost to the system.
- 7.5 In order to protect their investment Local Authorities have taken up various delivery routes to deliver new homes such as:
- Wholly Owned Companies
  - Registered Provider status
  - Joint Ventures
  - Partnerships
- 7.6 The financial modelling which has been undertaken for the Affordable Housing schemes that will be owned by the Council has highlighted the effect Right to Buy can have. In order to protect the Council's investment and retain these newly built homes it will be necessary to understand in detail how other Local Authorities are approaching this and the delivery structures they are implementing to protect investment into social and affordable rented homes.
- 7.7 Officers are currently undertaking a comprehensive review of these approaches with a view to developing a range of options for consideration. This evaluation work includes reviewing the work other Local Authorities have undertaken through their new delivery structures to deliver new affordable homes.

### **Ensuring homes are genuinely affordable to all Manchester residents**

- 7.8 It is nearly 3 years since Executive approved Manchester's new approach to housing affordability and the link between household income to the cost of buying and renting a home in the city. The public investment that is currently available to support a range of affordable housing options is being invested to support households on incomes ranging from those on low income requiring Local Housing Allowance (LHA) to cover all housing costs through to those on an average household wage. Within that spectrum the Council's own

resources are being prioritised to deliver homes for rent at no more than LHA rents.

- 7.9 Work has commenced to examine the geographical variation in income within the city, viability challenges and the need for new products to enable lower income households to access a greater choice of affordable homes. This work will report be brought to Executive in the new year.

## **8.0 Concluding Remarks**

- 8.1 Over the last decade the Government's policy of prioritising home ownership over the need to support those households on very low and low incomes, along with the very challenging impacts on these income groups of welfare group, has had a significant impact on the housing circumstances facing low income groups in Manchester. For example, the loss of social rent homes through Right to Buy, a failure in invest to deliver the numbers of homes needed to replace those homes lost through Right to Buy, the impacts of Local Housing Allowances that are capped and the introduction of Universal Credit have all contributed to a situation where there are insufficient affordable and well managed homes being developed for those needed by households on low incomes.
- 8.2 This paper has set out an approach to harness the resources that Homes England, the City Council and Registered Providers have in order to deliver a programme that seeks to bring forward a scale of new Affordable Homes in the city that is in line with the City's policy that 20% of new homes in the city will be affordable. Over the ten year period April 2015 to March 2025 the Council will deliver that policy outcome through the arrangements set out in this paper. Our ambition will be to exceed the 20% target - we will deliver a minimum of 6,400 homes in that 10 year period.
- 8.3 However, whilst the Right to Buy policy remains as it is and there is a constrained (but welcome) programme of investment into new social and affordable rented by Homes England there remains a challenge to sustain the levels of affordable rented stock in the city. This challenge is exacerbated by Right to Buy sales, the low turn over of the affordable rented stock in the city and the numbers presenting themselves in housing need. Delivering the partnership arrangements set out in this report will make a difference in terms of the numbers of new affordable homes being built but unless national Government changes its policy direction then there is a danger the city simply stands still or even sees a reduction in the total stock of affordable homes in the city.
- 8.4 A further report will be brought back to Executive describing progress on affordable housing delivery.

## **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. The Council's commitment to design quality, offsite housing and zero carbon is described in section 6.29 and 6.30.

### **(e) A connected city**

- 9.5 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

## **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 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.

## **ANNEX 1**

### **Buying back homes sold under the Right to Buy**

This annex sets out a proposed policy framework for the Council to buy back properties which have been sold under the Right to Buy.

Scrutiny is invited to consider and comment upon the draft principles as outlined in this annex

#### **1.0 Introduction**

- 1.1 The Right to Buy was introduced by the Housing Act 1980 and amended by the Housing Act 1985.
- 1.2 Qualifying Council tenants can buy their current home under the Right to Buy and can qualify for up to 70% discount or a maximum of £82,800. Most tenants of Registered Providers can only buy their home under the Right to Acquire which has a much lower discount (a flat rate £10,000 in Manchester).
- 1.3 The Housing Act 2004 also introduced a requirement for owners wishing to sell their property, within ten years of purchasing under Right to Buy, to offer the property back to the Council before placing it on the open market. The Housing (Right of First Refusal) (England) Regulations 2005 set out the procedures that owners wishing to sell their property are required to follow.
- 1.4 If the Council does not wish to exercise this statutory right it has the right to nominate another Social Landlord to accept the offer if it wishes to do so. If a third party is nominated then there is a requirement to notify the seller of the nomination. The right of first refusal is binding on successors in title meaning that this right of first refusal applies even when the original secure tenant has sold the property to a new owner and the new owner then wants to sell within ten years of the original purchase under the Right to Buy.

#### **2.0 Background**

- 2.1 After the Government increased the discount available to purchasers of Right to Buy houses in 2015 a significant number of affordable homes have been lost in the city. A total of 421 social and affordable homes were lost under the Right to Buy and Right to Acquire in 2018/2019.
  - 356 (85%) were Right to Buy or Preserved Right to Buy (Council tenants kept their RTB status when the Council transferred the stock to Housing Associations and many continue to exercise it) with only 63 (15%) being sold under the Right to Acquire.
- 2.2 Should Right to Buy purchases continue at such a rate it would significantly reduce the affordable housing options for those in need on the Council's housing register.

- 2.3 By buying back properties previously sold under Right to Buy we can seek to support the Affordable Housing Policy by counteracting some of this impact and adding to the number of homes available to those in need.
- 2.4 Currently there are just over 15,000 people registered to be rehoused on Manchester Move. Of these approximately 40% are classed as in housing need.
- 2.5 Over the last few years there has also been a substantial reduction in the number of homes becoming available for social rent. 3,620 homes became vacant and were re-let during 2013/14 but this has reduced year on year and fell to around 2,500 at the end of 2018/19.
- 2.6 In addition, there has been a significant increase in the average number of bids for each property rising from 44 in 2014/15 to 142 in quarter one 2018/19.
- 2.7 In March 2012 the Government offered local authorities the ability to retain a greater proportion of RTB receipts. In return local authorities have to use this resource to fund new social housing (either acquiring or building). To date c. £4m has been used to fund the 35% equity stake in the project with registered providers to buy large family housing to rehouse homeless families out of temporary accommodation. Under this proposal a further amount could be utilised to support the buy back policy.

### **3.0 Proposed Principles**

- 3.1 The proposed approach is to be applied to all former Council properties offered back to the Council, not only those offered in accordance with the 'Right of First Refusal'.
- 3.2 The Council has limited capital resources. Therefore, to maximise the number of Right to Buy repurchases we will, in the first instance, nominate a RP to buy the property.
- 3.3 In the areas managed by a PFI contractor we will ask the current housing manager (Your Housing, Jigsaw and Onward) to consider buying back the property and manage it outside the PFI contract.
- 3.4 In the Northwards area (where most of the sales, and offers to buy back, occur) we will seek a RP partner (or several) who is willing to own and manage properties in north Manchester.
- 3.5 The Council may wish to consider providing grant funding to RPS where their financial appraisal shows that the rental income and will not cover the costs of acquiring and maintaining the property for a 30 year period, as required in their business plan.
- 3.6 In considering this approach we will need to discuss with the RPs whether it is viable for them to buy property in north Manchester and for Northwards Housing to manage it. Northwards would collect the rent, carry out repairs and maintenance and take a (small) fee from the rent collected. The RP would own

the asset and receive a sufficient amount of rent to service any borrowing. Further financial modelling will be carried out to determine whether this is a viable solution,

3.7 Initial discussions with RPs confirm their interest in acquiring Right to Buy properties identified by the Council as long as the financial appraisal confirms that the rental income will cover the future costs and repay any borrowing.

3.8 There are circumstances where those who have acquired properties have found themselves in financial difficulty. Under this proposed approach in exceptional circumstance we will consider whether we acquire such properties allowing the owner to remain in the property as a tenant. The exceptional circumstances may include financial considerations and ill health. requests from owners to sell back their property and stay in it and rent it. This would only be agreed in exceptional circumstances where failure to buy back might lead to the property being repossessed and the owner becoming homeless or where the individual circumstances of the owner, such as ill health, means they are not able to continue to manage and maintain their home.

3.9 By introducing this policy we are looking to:

- Maximise the supply of social housing within Manchester;
- Reinvest Right to Buy receipts in a way which makes a more direct connection with reducing the impact of Right to Buy;
- Avoid properties being sold and then used in the private rented sector; and
- In exceptional circumstances, provide solutions for old, vulnerable or other households who can no longer maintain their property or wish to move to right size.

3.10 It is acknowledged that this policy does not increase the overall quantum of housing but it will add to the stock of affordable homes in the city. However, it should be noted that any property acquired will still be subject to the Right to Buy or Right to Acquire depending on whether the acquisition is by the City Council or by a Registered Provider (RP).

#### **4.0 Conclusion**

4.1 If the Executive endorse this approach, a policy will be bought back to a future meeting of the Executive which will set out more fully how the housing management, tenancy arrangements and nomination rights process will operate (particularly in North Manchester where a large proportion of the social housing stock is owned and maintained by the Council's ALMO, Northwards Housing), along with the detailed financial and legal implications associated with the proposed policy.