

**Manchester City Council
Report for Information**

Report To: Communities and Neighbourhoods Overview and Scrutiny Committee - 2 February 2010

Subject: Update on Home ownership target

Report of: Director of Housing

Summary

To provide an update on whether and how the Local Area Agreement target for home ownership should take account of the economic downturn in the long term.

Recommendations

That Members note the information.

Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	An adequate and balanced housing offer is critical to achieving economic growth for the city and region
Reaching full potential in education and employment	The pathway to housing can incentivise residents to reach their full potential
Individual and collective self esteem – mutual respect	Quality housing in quality neighbourhoods contribute are essential to inclusivity of residents
Neighbourhoods of Choice	The quality and balance of the housing offer is critical to achieving neighbourhoods of choice in mixed and sustainable communities.

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

The reward element of the Local Area Agreement is reliant on the City Council achieving an average score across a range of indicators from within the LAA. If we do not achieve a particular indicator this will reduce the average score, and therefore reduce the reward grant receivable. By renegotiating those indicators where we have been offered the opportunity to a more achievable level in the current climate, it increases our chances of receiving the reward element.

Financial Consequences – Capital

No direct revenue consequences

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Background documents (available for public inspection):

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

Report to Executive 15 March 2006 approving Draft Community Strategy
Report to Executive 28 June 2006 reporting back on Consultation
Report to Manchester Board 22 July 2008 Local Area Agreement sign off
Report to Communities and Neighbourhoods Overview and Scrutiny Committee 14 July 2009 on Home Ownership Targets

1.0 Introduction

1.1 In July 2009 a report was presented to this Committee to outline the actions being taken to achieve the targets for home ownership set out in the Local Area Agreement (LAA) and the Community Strategy and to consider whether these targets were achievable in the current economic climate. The Committee requested an update to assess whether and how the LAA target should take account of the economic downturn in the long term.

1.2 The primary explicit target for housing in the Community Strategy is to rebalance housing markets by achieving an owner occupation figure of 60% by 2015. This is a reflection of the ambition of the Community Strategy to deliver conditions that match the rising aspirations of Manchester residents and enhance the housing offer to encourage and enable the economically active to choose to live in the city. The target was considered critical enough to be included as a high level indicator within the LAA with a target of 50% identified as reachable by 2011. Underpinning this target within the LAA are targets for net housing completions and affordable housing completions.

1.3 The Key Housing LAA targets are:

LAA1	Home Ownership	60%
LAA2	Net Additions to Stock (NI 154)	3500pa
LAA 7,8,9	Affordable Housing Delivered (N1 155)	700pa

1.4 The July report outlined the historical context and rationale for the setting of the target, recent performance against the target, and the projected economic growth and demand for housing going forward. This report examines whether any additional evidence is currently available to support a revised approach to the targets.

2 Rationale for the setting of the Target

2.1 The target was set in the context of:

- Economic, employment and household growth in the city all indicating the need to provide additional homes.
- Aspirations for home ownership continuing to increase nationally and locally, and the 60% target clearly representing the aspirations of the city and its residents
- The need to work towards mixed income, mixed lifestyle and mixed tenure neighbourhoods offering a wider range of quality and choice of housing.

2.2 These factors remain critical to our long term aspirations for the city, and their inclusion in our Community Strategy and LAA targets continues to provide a challenging and aspirational goal.

3 Progress against the targets

- 3.1 Progress against the targets until the economic downturn was in line with projections, with a steady increase in home ownership figures. Since then factors identified as impacting on progress towards a more mixed and balanced housing offer following the downturn are:
- Affordability issues. Despite falling prices, many homes are still too expensive for lower income households to purchase without access to financial products.
 - Lack of confidence in the market, leading to prospective purchasers delaying decisions to buy for fear of finding themselves in negative equity.
 - Concerns over job security and fear of debt and repossession; many prospective purchasers are hesitant about taking on commitments so delay entering home ownership until market trends are clearer.
 - Difficulties in obtaining mortgage finance; households who would normally have been able to buy now find they have to provide a large deposit which may deter or delay their purchase.
 - Decline in new build starts and stalling of new developments, reduction in the planning pipeline. Developers who are unsure of selling their completed homes have delayed starts or completion of sites.
 - More private renting of properties that would normally have been sold for continued owner occupation; while it remains difficult to sell, owners who need to move will rent out their properties until the market improves.
- 3.2 Although these factors are still impacting on the housing market there are indications that the housing market is recovering:
- There has been an increase in the number of sales in the City, which though small, suggests that the market is levelling off
 - Mortgage lending is increasing
 - There is a reported increase in demand from first time buyers, particularly in the North West where Surveyors report that 23% of enquiries are from first time buyers
 - The number of local searches in Manchester shows a definite upward trend signalling a potential upturn in sale volumes
 - The Council of Mortgage Lenders has noted a thawing in mortgage restrictions; more mortgage products are now available for prospective homebuyers.
- 4 Potential for revision of Local Area Agreement targets**
- 4.1 Targets within our Local Area Agreement include those based on National Indicator 154, Net additions to stock and National Indicator 155, Affordable Housing Delivered.
- 4.2 Government have offered local authorities the option of revising the LAA targets based on NI 154 and NI 155 to take effect from April 2010, subject to the submission of a satisfactory business case.

- 4.3 We have worked assiduously with delivery partners in the city to mitigate the impacts of the economic downturn, taking all opportunities to sustain development of new homes and maximising use of government funding to maintain delivery through the Kickstart Programme, Council House New Build, and maximising use of the National Affordable Homes funding. We have secured:

Kickstart Phase 1	£17.3m	433 units
Kickstart Phase 2	£7m	257 units
(Phase 2 is still subject to due diligence and the numbers are not finalised)		
Local Authority New Build Phase 1	£3.5m	32 units
Local Authority New Build Phase 2	£22.9m	171 units

- 4.4 Despite this our ability to deliver these LAA targets has been significantly affected due to the difficulties in the housing market. Like other Core Cities we have taken the opportunity to submit a reduced target to reflect realistic expectations of delivery in the short term. Reductions in targets from other cities will reflect the impacts on their own planning pipelines. The refreshed targets were discussed and agreed with Government Office North West on 19 January 2010 and will go for Ministerial approval shortly.
- 4.5 It remains our intention to achieve the same delivery totals over the length of the Community Strategy by ensuring we maximise delivery when market conditions permit.

5 Conclusion

- 5.1 Although the impacts of the housing market downturn are still evident, demand for housing continues to increase and the forecast economic and employment growth in the city will continue to generate further need for additional homes and choice of housing. There has been no compelling evidence to indicate that our long term aspirations for the city should change. During the period of housing market depression we may not make any further progress, and indeed may have to accept a temporary setback. We will take the opportunity to set realistic targets for the short term delivery of new homes and affordable homes, but for the long term our targets remain unchanged, and the achievement of 60% home ownership is vital for the city's economic growth and to realise the potential of the city and the city region.
- 5.2 Current evidence from surveyors quoted above suggests that the appetite for home ownership remains, however we will continue to monitor progress over a long period to determine whether the recession has reduced the appetite for home ownership in favour of an improved private rented offer, particularly in the light of institutional investment opportunities in the rental market which are being promoted by the Homes and Communities Agency.
- 5.3 Whilst there has been no clear indication as yet of the timescale for recovery nationally or locally, in the light of our track record in delivering new homes prior to the downturn we are well placed to maximise opportunities for development when the market changes and are confident that proactive

partnership working will offer us a real opportunity to achieve the 60% target during the life of the Community Strategy.

6 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

An adequate and balanced housing offer is critical to achieving economic growth for the city and region

(b) Reaching full potential in education and employment

The pathway to housing can incentivise residents to reach their full potential

(c) Individual and collective self esteem – mutual respect

Quality housing in quality neighbourhoods is essential to inclusivity of residents

(d) Neighbourhoods of Choice

The quality and balance of the housing offer is critical in achieving neighbourhoods of choice in mixed and sustainable communities

7 Key Polices and Considerations

(a) Equal Opportunities

Actions to create neighbourhoods of choice through providing a balanced housing offer will support economic growth and thereby offer opportunities to all residents of Manchester

(b) Risk Management

Failure to achieve neighbourhoods of choice and a balanced housing offer will impair economic growth.

(c) Legal Considerations

There are no legal issues arising directly from this report.