Manchester City Council
Report for Information

Report to: **Resources and Governance Overview and Scrutiny Committee – 4 March 2010**

Subject: Local Area Agreement 2009/10 Refresh

Report of: Assistant Chief Executive (Performance)

Summary

This report provides a summary of proposed revisions to the Local Area Agreement as a result of the 2009/10 LAA refresh process.

Recommendations

That the revisions to Local Area Agreement indicator baselines and targets set out in this report be noted.

Wards Affected:

All

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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 four years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Manchester's Local Area Agreement
Manchester's Sustainable Community Strategy

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1. Introduction

1.1. The Local Area Agreement (LAA) is a three-year agreement (2008 – 2011) between the Council, its partners and the Government. The agreement identifies priorities for delivery of the Community Strategy for the three-year period.

1.2. The LAA process allows for annual refresh. The purpose of the LAA annual refresh is to revise, by exception, particular targets to reflect changes in local circumstances or national priorities.

1.3. This report sets out the approach and time-table for completion the 2009/10 LAA refresh. The report will also highlight the issues that have been identified in the 2009/10 refresh.

2. Approach

2.1. GONW have indicated that the LAA refresh in 2009/10 will be light touch and focused only on the housing and economy indicators that have been directly impacted by the economic downturn. A series of meetings were held between officers from GONW and the Manchester Partnership to discuss potential changes to the housing and economy indicators.

2.2. The ambition and the overall objectives for Manchester will remain the same. Any revised LAA targets will still be stretching in the current economic climate.

3. Proposed Changes to the LAA

3.1. This section highlights the proposed changes to LAA indicator baselines and targets that have been identified as a result of the LAA refresh.

3.2. Housing Indicators

3.2.1. GONW and Manchester Partnership officers have agreed to the following proposed changes to three Housing LAA indicators:

- NI 154 Net additional homes – The table below shows the proposed revised targets for NI 154. It is proposed that the target is to be reduced from 3,500 in 2010/11 to 1,200. A full business case has been developed for NI 154 detailing the reasons why a revised target should be considered for change, what the rationale for the new target is and the actions to help deliver this new target. This business case can be found in Appendix one of this report.

Year	NI 154 Original target	NI 154 Proposed new target
2009/10	3,500	**1,484**
2010/11	3,500	**1,200**

- NI 155 Net affordable Homes - The table below shows the proposed revised targets for NI 155. It is proposed that the target is to be reduced from 700 in 2010/11 to 348. A full business case has been developed for NI 155 detailing the reasons why a revised target should be considered for change, what the rationale for the new target is and the actions to help deliver this new target. This business case can be found in Appendix one of this report.

Year	NI 155 Original target	NI 155 Proposed new target
2009/10	700	**378**
2010/11	700	**348**

- Local % Decent Homes - The table on the adjacent page shows the proposed revised target for % Decent Homes. It is proposed that the target is to be increased from 81% in 2010/11 to 90%. A full business case has been developed for % Decent Homes detailing the reasons why a revised target should be considered for change, what the rationale for the new target is and the actions to help deliver this new target. This business case can be found in Appendix two of this report.

Year	% Decent Homes Original target	% Decent Homes Proposed new target
2010/11	81%	**90%**

3.3. *Economy Indicators*

3.3.1. GONW and Manchester Partnership officers have agreed to the following proposed changes to the Economy LAA indicators:

- NI 151 Overall Employment rate – Currently in the LAA this indicator is measured as a rate. GONW have advised that any refreshed targets need to be set as relative to the Great Britain or Regional average. In discussions it was agreed that the new NI 151 target would be set to narrow the gap between the Manchester and Regional average. The table below highlights the current gap between the Manchester and Regional average and the proposed target for 2010/11:

Year	Gap between Regional and Manchester average for NI 151
Jun 07 (baseline)	6.1%
Jun 09 (latest performance)	9.4%
Proposed 2010/11 target	9.4%

The gap between the Regional and Manchester average for NI 151 widened by 3.3% between June 2007 and June 2009. The proposed target is that this will not widen any further between 2010 and 2011. A full business case is being developed for NI 151 detailing the reasons why a revised target should be considered for change, what the rationale for the new target is and the actions to help deliver this new target.

- NI 152 Working age people on out of work benefits - Currently in the LAA this indicator is measured as percentage of the working age population who are claiming benefits. GONW have advised that any refreshed targets need to be set as relative to the Great Britain or Regional average. In discussions it was agreed that the new NI 152 target would be set to narrow the gap between the Manchester and Regional average. The table below highlights the current gap between the Manchester and Regional average and the proposed target for 2010/11:

Year	**Gap between Regional and Manchester average for NI 152**
Jun 07 (baseline)	4.5%
Jun 09 (latest performance)	3.5%
Proposed 2010/11 target	2.5%

The latest performance information shows the gap between Manchester and the regional average has narrowed by 1% from June 2007 to 3.5% in June 2009. It is proposed that the new target for NI 152 would see that gap reducing by a further 1% to 2.5% by 2010/11. A full business case is being developed for NI 152 detailing the reasons why a revised target should be considered for change, what the rationale for the new target is and the actions to help deliver this new target.

- NI 171 VAT registration rates – There are ongoing discussions with GONW about how this indicator may change in the LAA refresh.

- NI 116 Child Poverty – There are still ongoing concerns about the availability of data for NI 116.

- Local – Number of residents claiming out of work benefits – This local indicator is closely linked to NI 152.

3.4. Place Survey Indicators

3.4.1. The 2008 Place Survey was used to set the baselines and the targets for the range of perception – based indicators. In the summer of 2009 CLG revised the weightings for the 2008 Place Survey, resulting in changes to the 2008 Place Survey results. This revision to the Place Survey results has impacted all Local Authorities across England and Wales. The results have only changed by a small amount but the implications of this are that all the baseline and target information in the LAA is now inaccurate. It is proposed that baselines and targets are changed to reflect the new data. Manchester is keeping its ambition about residents' perceptions so the percentage improvements for the indicators will remain the same.

3.5. Transport Indicator

3.5.1. The local LAA indicator on modal shift –the percentage of journeys made into the city centre by mode other than car - was baselined using the Local Public Service Agreement (LPSA2) survey methodology. The LPSA2 survey finished in 2008/9 and therefore can no longer be used to measure performance against this indicator for 2009/10 and 2010/11. Modal shift is also measured using a Local Transport Plan (LTP) annual survey and it is proposed that the LTP survey is used to set new baselines and targets for this indicator and to measure future performance. The table below sets out the old LPSA2 baseline and targets and the proposed LTP baselines and targets:

Local: Modal Shift	LPSA 2 data	Proposed LTP data
Baseline	64%	63.4%
2008/9 target	67.6%	66.3%
2009/10 target	Not Set	67.1%
2010/11 target	Not Set	67.5%

3.6. NI 15 Serious Violent Crime

3.6.1. The Home Office has recalculated the baseline for NI 15. It is proposed that the baseline and targets for NI 15 are re-profiled but that the gap between the baseline and the targets is maintained. The proposed new baselines and targets are set out in the table below:

NI 15	Current LAA baseline and targets (rate per 1,000 pop)	Proposed new LAA baseline and Targets (rate per 1,000 pop)
Baseline	1.79	1.84*
2009/10 target	1.68	1.73*
2010/11 target	1.54	1.59*

*Please note this rate has been calculated using the 2008 population MYE of 464,200.

4. Next Steps

4.1. The LAA refresh proposals will be reported to the Public Service Board on the 9 March 2010 and will be submitted to the Manchester Board for approval. All proposed changes will be subject to consultation with the appropriate Executive Member.

4.2. On the 15 March the refreshed LAA will be submitted to GONW for Ministerial approval subject to approval by the Manchester Board.

5. Recommendation

5.1. That the revisions to Local Area Agreement indicator baselines and targets set out in this report be noted.

5.2. **Appendix One – Business Case for refresh of NI 154 and NI 155**

1 Background
The impacts of the economic downturn on house building, particularly in the North West, have been well documented and our progress towards achieving our Local Area Agreement (LAA) targets has been deeply impacted by difficulties in the housing market. In common with other core cities Manchester submitted a business case for revised targets via Government Office North West (GONW) that is awaiting ministerial approval. This report outlines our business case and proposed revised targets, with a description of the rationale for the setting of the targets.

2 Why are we proposing a revision of targets?
Listed below are the reasons for the proposed revisions to the indicator targets:

- *Assessment of the Local Impact of the Recession* - The impact of the recession has been more severe on the city and the North West than in other areas. Increased unemployment and reductions in house prices impact on households' ability and/or confidence to enter the housing market, and even though house price reductions increase affordability, continued lack of mortgage finance continues to inhibit sales.

- *Economic Data* - The number of residents claiming Job Seekers Allowance has increased by 71% between April 2008 and September 2009. Although the number of JSA claimants fell in the North West and the country as a whole in the previous month, they increased slightly in Manchester. Pre credit crunch the Manchester unemployment rate was 3.3%. The % of working age population claiming JSA has risen to 5.7%. Countrywide and in the North West this is showing signs of levelling off but to a lesser extent in Manchester.

- *House Prices* - House prices have begun to stabilise in Manchester as nationally. However, over the annual period the price decrease has been far greater in comparison with the North West and National trend.

- *House Sales* - Manchester's house sales are 43% of what they were in 2007. However, the number of transactions increased month on month leading to September, albeit recovering from a historic low and recovering at a slower rate than the national picture where transactions increased by 29% over the previous year.

3 Impacts of the recession on NI 154 net completions
The recession has had the following impact on net completions:

- *Impact of the Recession on Planning Permissions* – The number of gross approvals dropped from 6,969 in 2007/8 to 5,816 in 2008/9.

- *Impact on starts* – The number of schemes starting has reduced from 86 in 2007/8 to 34 in 2008/9. To date in 2009/10 only small schemes are still starting. Only 3 schemes with 10 or more units have commenced so far this year and one of those was an RSL scheme.

- *Impact on completions* – The number of gross completions has reduced from 5365 in 2007/8 to 2437 in 2008/9.

4 Impact of recession on NI 155 delivering affordable housing

4.1 Target figures for 2009/10 and 2010/11 (originally 700 per annum) were set well before the onset of recession and reflected an increase in affordable housing delivery through Section 106 contributions that we anticipated to come from new planning applications. None of these are likely to be delivered due to financial viability issues on new schemes.

4.2 In Manchester, seven schemes of 197 units which had received a NAHP allocation for 2008/11 have now been deleted as they are not longer viable in the current market.

4.3 In the first two quarters of 2009/10 a total of 87 units have completed through the NAHP, with quarter two seeing the first Mortgage Rescue completions.

4.4 With regard to the development of NAHP schemes, RSLs are currently unwilling to consider developing new schemes of shared ownership or Rent to Homebuy units.

5 How the revised target for NI 154 was calculated

5.1 The revised target for NI 154 is to deliver 1200 net additions to stock during 2010/11. It is based on the completions in 2008/09, the projected completions for 09/10 and the estimated completions for 10/11 drawn from the planning pipeline. A scheme by scheme assessment has been undertaken of 154 schemes of significant size to establish whether sites are continuing, stalled, or in doubt.

5.2 The planning pipeline comprises over 24,000 units. On the basis of our existing knowledge 20% is considered at risk because they are schemes that have not started or where the planning application is about to expire, or the schemes have stalled or stopped completely.

In addition, over a third of the pipeline comprises of four large schemes, totalling 8,400 units, which will take well over three years to complete and will not therefore be delivered within the current LAA period

6 How the revised target for NI 155 was calculated

6.1 The new target is based on the National Affordable Homes Programme (NAHP) for 2008-11, and the opportunities arising from Homebuy Direct and the Council House Build programme. That suggests that a total of 999 affordable homes will be delivered during the three-year period, with 348 estimated deliveries in the third year 2010/11.

6.2 Although we are aware of a large number of allocations for Homebuy Direct it is not clear at this stage when these will proceed to practical completion, given continuing mortgage uncertainty. We have assumed in the target setting that approximately half the completions for this year's allocations will be rolled over into 2010/11. We have made a similar assumption for First Time Buyers Initiative allocations.

6.3 For 2010/11 account has been taken of the NAHP schemes which have already been lost, but included is rolled over Homebuy and FTBI and the LANB figures. Assumptions have been made that remaining allocations for Shared Ownership will be lost, and assumed a small number of mortgage rescue cases will come forward.

Appendix Two – Business Case for local LAA indicator % Decent Social Homes

1.0 Proposed revision to LAA local target "Social Homes Made Decent"
Current performance levels and future projections received from various major housing providers have been used to review and recalculate targets for Decent Homes delivery within the social housing sector.

Proposed local LAA target:
2010/11 Proposed target 90% (Original 2010/11 LAA target 81%)

It should be noted that the above target represents *actual* delivery and does not take into account secured investment and time extensions for delivery, approved by CLG.

2.0 Background
The Government target is that 95% of all social homes should meet or exceed the Decent Homes Standard (DHS) by 2010. The purpose of this indicator is to monitor progress in delivering Decent Homes throughout the social housing sector and to ensure one of the key objectives of the Housing Strategy is met.

Social Homes are made up of two broad categories:
1. Homes owned by the City Council.
This includes current stock in addition to stock where the management (not the ownership) has been transferred, i.e. to an Arms Length Management Organisation (ALMO) or a Private Finance Initiative (PFI).

2. Homes owned by Registered Social Housing Providers.
This stock is made up of two components; traditional Housing Association homes and also ex City Council homes where the ownership has been transferred to a new Housing organisation (also know as Large Scale Voluntary Transfer)

3.0 Stock transfers and Decent Homes
In order to secure investment and funding to enable delivery of stock improvement programmes, the majority of City Council stock has now been transferred either to new housing organisations or to new management companies. Offer documents to tenants and final transfer contracts all require that decent homes programmes are delivered no later than five years after the transfer implementation. Stock transfers that took place too recently to achieve the 2010 Government target are allowed an extension from Communities and Local Government to deliver their DHS programmes.

The majority of social housing is now provided by Registered Social Housing Providers and as the main part of this sector is made up of LSVTs (ex council stock), contracts and tenant promises are in place and closely monitored.

4.0 Performance to date
Performance during 2008/9 significantly exceeded target, with 73.3% of social homes meeting the DHS against a target of 67.6%. Performance for 2009/10 is ahead of the original 75% target and projected to reach 80% at year-end.

This is due to some of the new housing companies and management organisations having the capacity and securing the funding to deliver accelerated DH programmes and it appears this trend is set to continue during the final year of the current LAA. The 2010/11 target has therefore been reviewed to reflect this.