

**Manchester City Council
Report for Resolution**

Report to: Economy Scrutiny Committee – 25 May 2016
Executive – 1 June 2016

Subject: Housing Affordability in Manchester

Report of: Strategic Director, Strategic Development

Summary

The provision of homes that are affordable to Manchester residents across a range of income will be fundamental to the continuing economic growth of the city. This report looks at how affordable housing is currently defined, developed and delivered in Manchester placing this within a wider housing market context. This introduces an alternative view and approach to affordability linking income to the cost of buying and renting a home within the city. By applying this principle to our future housing requirements we can begin to match residents with a range of products that will support them into good quality affordable homes for sale and rent.

Recommendations

The Executive is recommended to:

1. Approve the principles contained in Section 4 of this report and authorise officers to consult with residents and stakeholders on the development of a new approach to housing affordability as described in the report
2. Note the commitment in Sec 2.18 to develop a strategy and plan to bring forward new development of social and affordable housing that seeks to maintain the current quantum of social and 'affordable' homes with a further report to a future Executive on the details of how this will be achieved.

Wards Affected: All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This refreshed approach to affordability will ensure Manchester has the right mix of housing that is affordable across a range of tenure and income levels to support a functioning Manchester and sub regional economy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The new and existing homes will be well connected to employment opportunities and schools

A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Increasing the supply of good quality affordable homes for sale and rent will provide the opportunity for Manchester residents to raise their individual and collective aspirations
A liveable and low carbon city: a destination of choice to live, visit, work	The right mix of quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the city and enjoy a good quality of life.
A connected city: world class infrastructure and connectivity to drive growth	This approach recognises the importance a balanced housing offer plays within a well connected city and the neighbourhoods within it. It seeks to create neighbourhoods where residents will choose to live and their housing needs and aspirations are met

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There are no direct revenue consequences to the Council arising from this report

Financial Consequences – Capital

There are no direct capital consequences to the Council arising from this report

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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.

- Draft Residential Growth Strategy, Executive, 4th November 2015
- Manchester Market Rental Strategy, Executive, 15th January 2015
- Manchester Residential Growth Strategy and 2016/17 Action Plan, Executive, 2nd March 2016

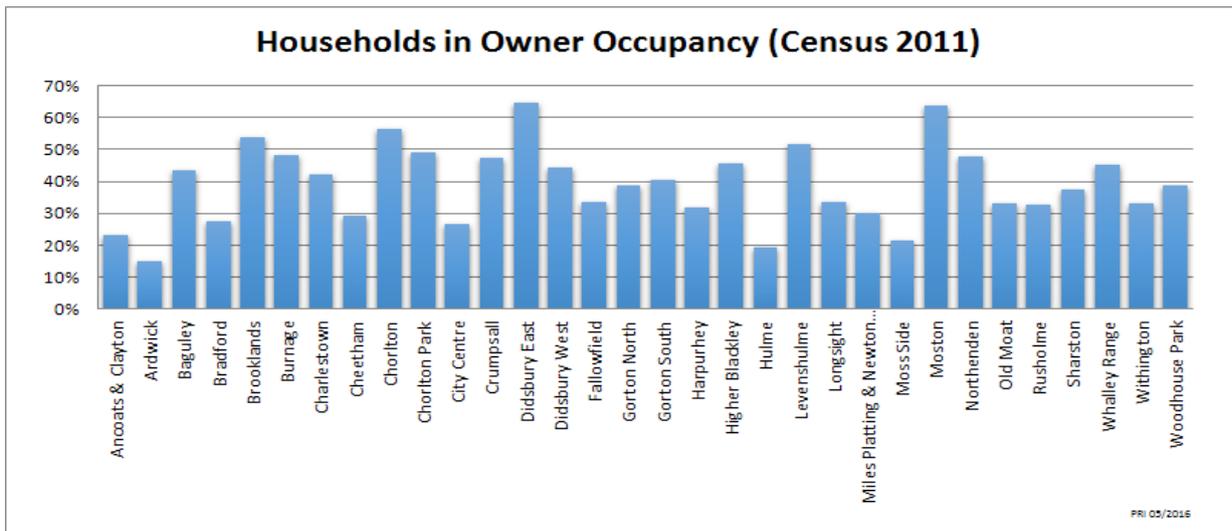
1.0 Introduction

- 1.1 At its meeting in March 2016 Executive approved the Manchester Residential Growth Strategy and associated action plan. The strategy recognises that Manchester continues to grow and change at an unprecedented rate but against this background of economic growth it is clear that we must continue to build more homes to buy and rent that are accessible across a range of incomes if we are to maintain the balance of wages and housing costs. Addressing these issues is likely to help us secure a sustainable economic growth trajectory
- 1.2 This balanced housing market in Manchester should reflect the changing shape of our population so that we have homes for:
- Younger working people who are increasingly choosing to live and work in the city, in particular in and around the city centre and who are driving much of our economic growth;
 - Families to remain in the city as their household and financial circumstances change; and
 - Older people who want to stay in the city
- 1.3 The Residential Growth Strategy charts a course for addressing the challenges we will face in ensuring that we have the right housing in the right location for the city over the coming decade and beyond. It is rooted in the reality of the city as it is today: the people who live here, the housing market we have and the opportunities that exist as we look ahead.
- 1.4 As part of the development of the strategy there is a clear challenge to consider the current and future affordability of housing across the city, particularly with the introduction of the new Housing and Planning Act and ongoing welfare reform. These two factors will have a fundamental impact on the affordability agenda especially for our residents who are on lower incomes and the living wage. In order to deal with these issues in a coherent way it is necessary to review and understand the extent to which existing market housing is affordable in relation to incomes alongside the supply of the 'traditional' affordable homes principally, social rented and how they are currently developed, delivered and allocated. In doing so we can consider if this approach will continue to support our growing economy and population or whether there is a more progressive alternative which should be considered.

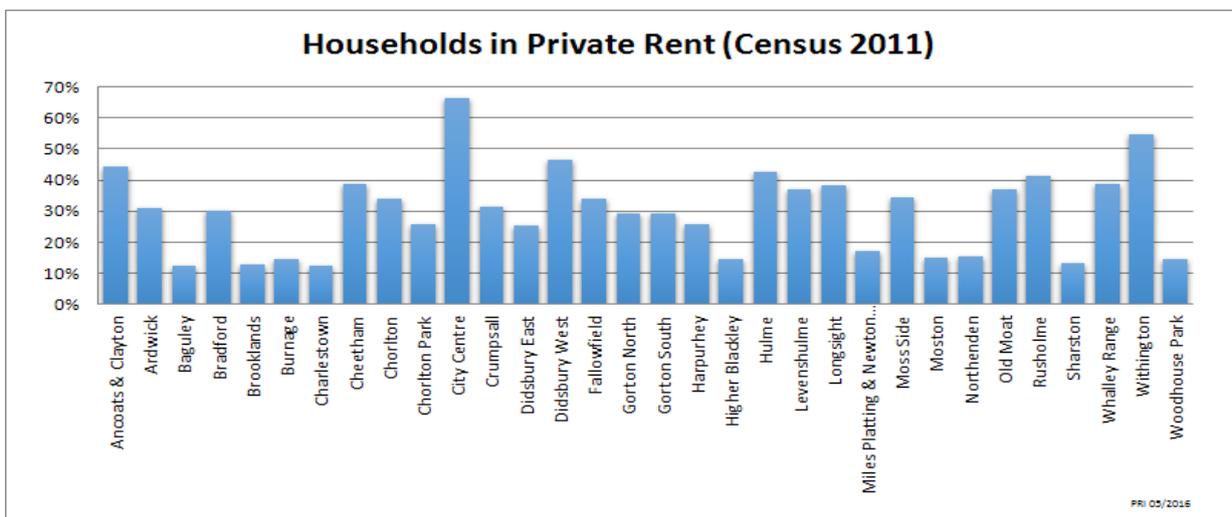
2.0 Context

- 2.1 The number of people living in Manchester increased by over 80,000 between 2001 and 2011 – a rise of nearly 20%, the highest of any town or city in the UK. This growth was a reflection of the city's changing economy and the new jobs being created across a broad range of sectors and at a wide range of income levels. The current population in the city is estimated to be around 539,000 making up 220,000 households (Source MCCFM W2015, Public Intelligence, PRI 2016). The tenure breakdown of these households is:

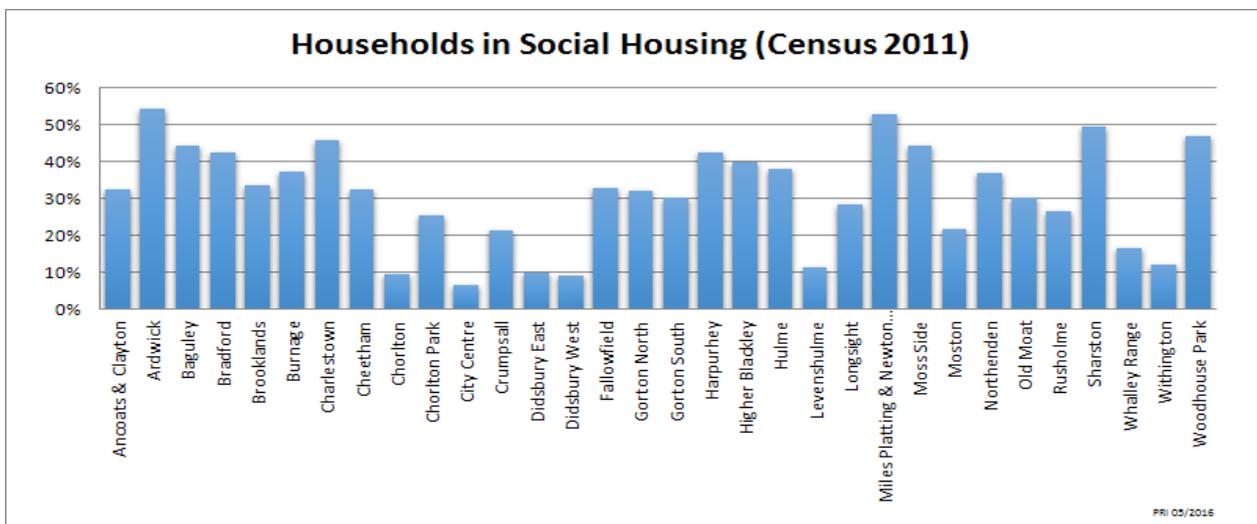
Owner occupancy - 40%



Private Rented - 30%



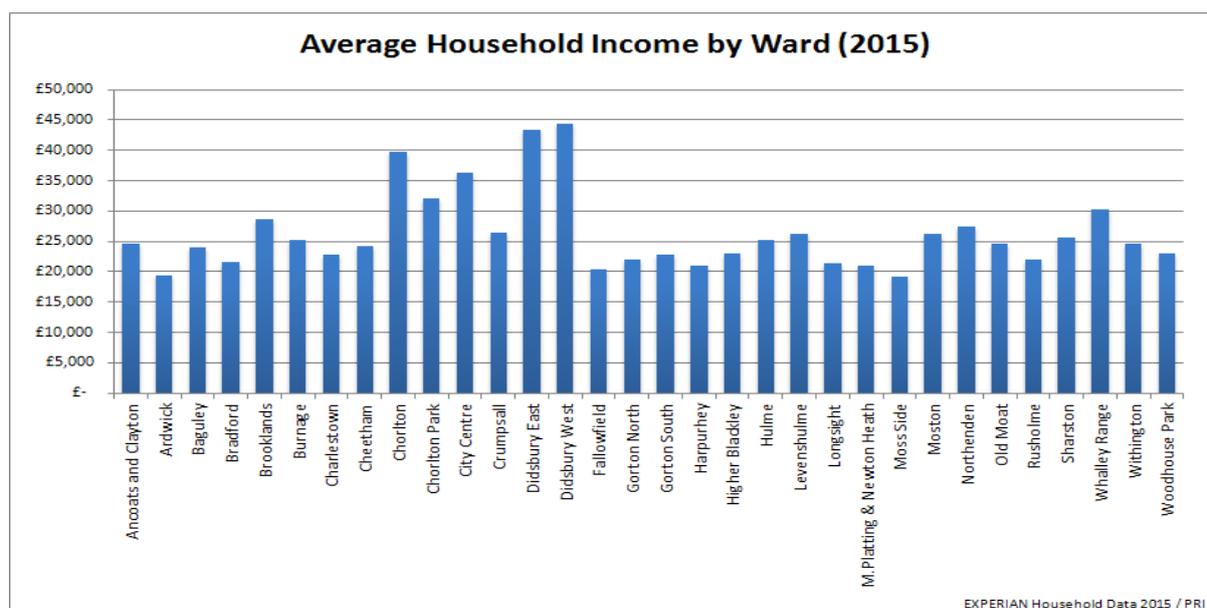
Social Rented - 30%



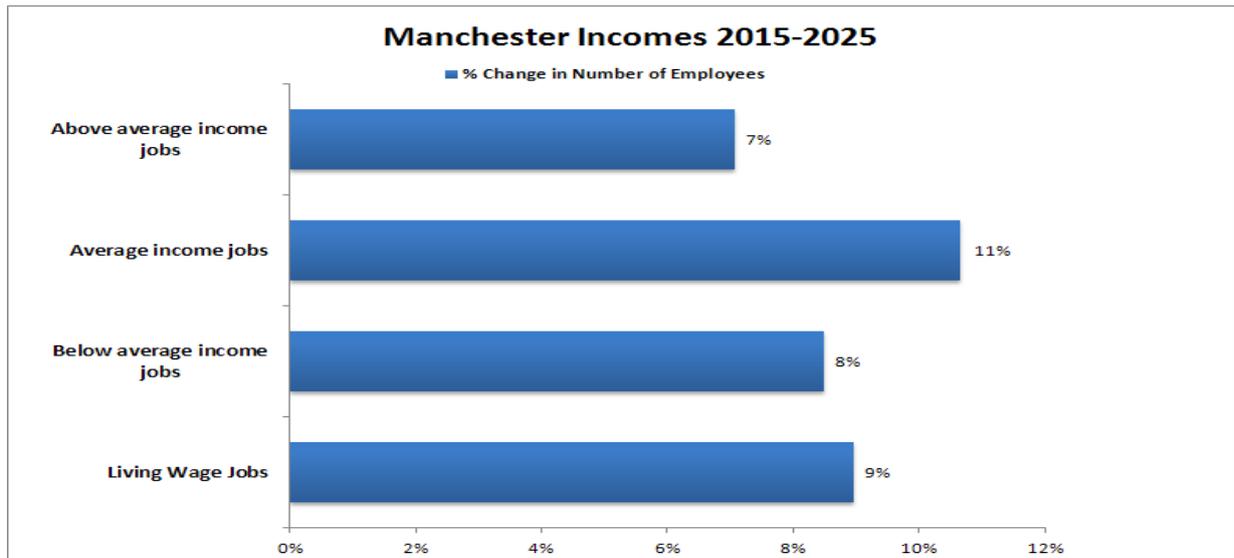
For comparison and context the table below indicates the tenure breakdown of a number of cities across the country. Manchester has the highest level of social rented housing and conversely the lowest level of owner occupation:

City	Tenure		
	Owner occupied	Private rented	Social rented
Manchester	40%	30%	30%
Birmingham	56%	20%	24%
Leeds	59%	19%	22%
Liverpool	47%	25%	28%
Nottingham	46%	30%	24%
Sheffield	59%	25%	16%
England	64%	18%	18%

2.3 The average Manchester household income is £27.5k. This is calculated using 3 recognised data sources (ASHE, Paycheck and Experian). The figures range from £25k - £30k and for the purposes of this report therefore we have used a mid range point of £27.5k. This average income includes all earned and non earned income such as benefits and pensions. There are variations to this across the city which is shown on the diagram below.



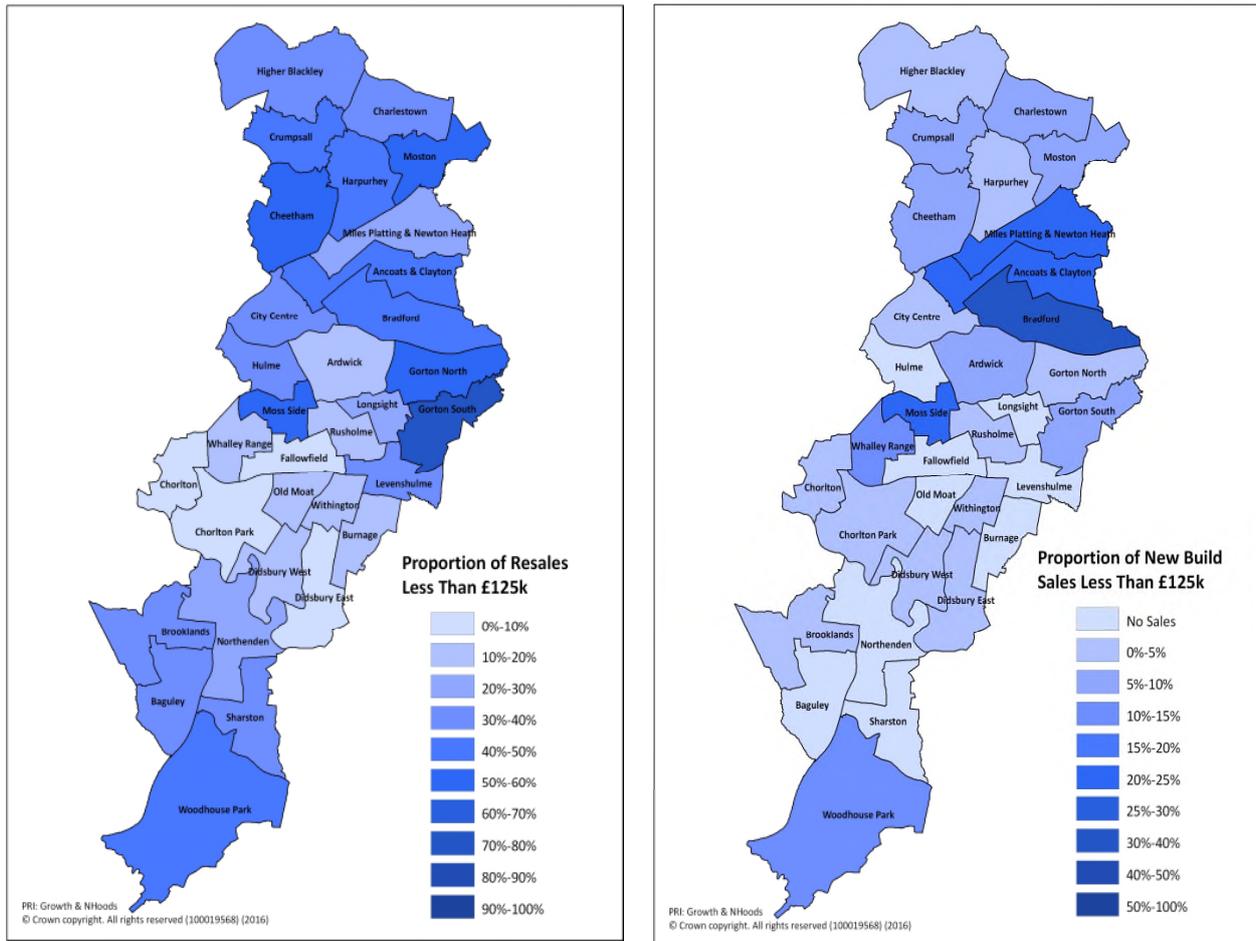
2.4 Over the next 10 years population growth within the city is estimated to increase by 95,000 people giving a total of 630,000 residents living in Manchester by 2026. Again this growth is overwhelmingly driven by new job opportunities as we anticipate over 43,000 jobs will be created within Manchester (Greater Manchester Forecasting Model) and 56,000 jobs elsewhere in Greater Manchester. There will continue to be a number of higher paid jobs in the financial and professional service with emerging opportunities in the digital and creative, life sciences. However, a high proportion of the job growth is forecasted to be at or below the average household income for the city.



- 2.5 The challenge and opportunity this presents is to ensure that we continue to have new homes in decent neighbourhoods that are attractive and accessible to existing and prospective Manchester residents on a range of household incomes including those on the living wage. This approach should also take into account the existing homes within our neighbourhoods so any new development looks to address any tenure imbalance within them.

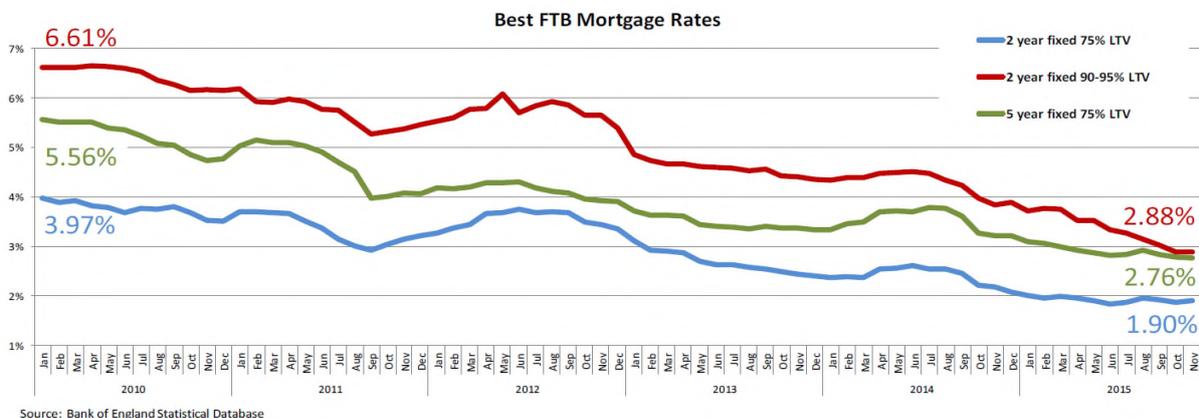
Assessing “affordability” in Manchester for home buyers

- 2.6 Following the Mortgage Market Review in April 2014 the Financial Conduct Authority (FCA) introduced the requirement to test the affordability of any mortgage offered and the applicant’s ability to pay. Although there will be other factors to consider this has led to lenders using 4.5 x income as a benchmark for responsible lending. If we apply a multiplier of 4.5 to Manchester’s average income of £27.5k this equates to a potential mortgage of £125k. As such we can see how many properties would have been affordable over previous years. If we look back over the last 3 there have been just short of 15,000 property sales within the city. This includes new build and sales within the second hand market. Out of this total figure:
- 45% of the properties sold for less than £125k.
 - 2217 were new build properties. 641 (29%) of these were sold at less than £125k (see maps below).



2.7 In recent years interest rates (including for first time buyers - see Fig 1) have fallen and are now amongst the lowest rates on record. Moreover, the Government is committed to increasing home ownership through Help to buy. Combined with an increase in high street residential lending this environment has helped to increase the number of sales to owner occupier buyers in the city over the last 12 months.

Fig 1: Best mortgage rates available to first time buyers



- 2.8 Looking forward, residential development across the city is expected to reach on average, 2,500 completions per annum over the next 10 years. With this expected growth the future challenge relates to maintaining a sustainable pipeline of residential property within the reach of average household incomes, particularly in the light of rising house prices, rent levels particularly in the city centre (see below) and the parallel requirement to increase earnings across the city.
- 2.9 Table 1 details the affordability of 2-bed new build homes currently on the market (February 2016) based on a 95% or 90% loan-to-value (LTV) mortgage.

2bed houses											
Scheme	Ward	Developer	Asking price	95%LTV (4% interest - 25 year repayment)				90%LTV (3.8% interest - 25 year repayment)			
				Deposit	Loan	Estimated monthly repayments	% of average monthly household income	Deposit	Loan	Estimated monthly repayments	% of average monthly household income
Grove Village	Ardwick	Gleasons	£133,995	£8,700	£127,295	£872	29.3%	£13,400	£120,596	£823	27.2%
Maine Place	Moss Side	Prospect GB	£124,500	£8,225	£118,275	£824	27.2%	£12,460	£112,060	£579	25.3%
Booth Hall	Charlestown	Taylor Wimpey	£122,995	£8,150	£116,845	£817	26.9%	£12,300	£110,696	£572	25.0%
St Johns Gardens	Harpurhey	Redrow	£115,995	£5,800	£110,195	£582	25.4%	£11,600	£104,396	£540	23.6%

Assessing “affordability” in Manchester for Private Renters

- 2.10 The 2011 Census also confirmed the increasing number of people living in the core of the conurbation is concentrated within the private rented sector. The Manchester Strategy recognises the uniquely attractive affordability ratio between average incomes and housing costs in the city. Historically, the apartment market has provided a high quality housing offer (often suited to sharers) matched to average incomes in central locations close to jobs.
- 2.11 However, in recent years rents have increased faster than wages and this coupled with continued population growth, subdued housing supply, rising construction costs and land values, and has led to intensifying demand which is beginning to threaten affordability thresholds in the rental stock within the city centre and its immediate surrounds.
- 2.12 Price growth has been most intense in the central apartment market, particularly the city centre ward area (including Oxford Road and the Deansgate and Spinningfields Corridor), where price growth has exceeded £100 pa and where availability is amongst the lowest in the city.
- 2.13 Outside the city centre, rental growth is flatter. Over the last 12 months rents increased by 6.3% in South compared to 1.6% in North and 4.8% in the East of the city (2015-16 - 2bed properties). Whilst rents are increasing in most

areas, there are a minority of neighbourhoods where private rental levels remain close to the Local Housing Allowance rate.

- 2.14 The city is committed to work to understand why rents are increasing in the city centre and beyond. Looking forward, the challenge relates to ensuring that the apartment market continues to provide a suitable housing product for a range of different incomes in key neighbourhoods across the city.

The Social Rented Sector

- 2.15 Unlike the owner occupied and private rented market affordability is not an issue within the social rented sector as its rental cost and growth are regulated. However, there is no doubt that the Governments emerging approach to housing and planning policy along with continuing welfare reform is changing the current social and affordable housing sector. The Housing and Planning Act received Royal Assent on 12th May 2016 and will create a policy framework aimed at:

- Expanding affordable home ownership
- Improving housing management in both the social and private rented sectors
- Implementing planning reforms to remove any unnecessary obstacles to these objectives.

- 2.16 There are a number of areas that will directly affect social housing in Manchester

- The extension of the Right to Buy for housing association tenants;
- The requirement for local authorities to sell off its higher value social housing to support the extended Right to Buy;
- The removal of secure tenancies for new tenants;
- The Pay to Stay proposal where higher Income (over £30k) households are expected to pay up to the market rent to stay in their home; and
- Limiting housing benefit to Local Housing Allowance single room rate for U35's. This new rule will apply to all new tenancies from April 2016 and will come into force in April 2018.

- 2.17 Last Summer's budget statement also included a planned 1% rent reduction per annum over the next 4 years for the social housing sector which will have major financial implications for Manchester and its registered provider partners. This will not only affect the level of money they can reinvest in their existing properties but also in supporting any planned new build programme.

- 2.18 The extended Right to Buy and the sale of higher value social houses will have implications for MCC. However Government has not yet released any details so it is not possible to forecast what the actual final implications will be. Our current strategy is to maintain the existing quantum of 68,000 affordable and social rented houses. We will continue working with partners and developers to secure a means of developing new and replacement social and affordable housing to ensure that the current quantum is maintained overall.

3.0 Housing affordability in Manchester: Current approaches to providing homes that are 'Affordable'.

3.1 The definition of affordable housing is confusing at best and is often misinterpreted. For clarity it is currently defined in National Planning Policy as falling into 3 broad categories.

- Social rented housing
- Affordable rented housing
- Intermediate affordable housing

Social and Affordable Rented Housing

3.2 Although we use the term social and affordable rented housing the only real difference between them is the level of rent that can be charged:

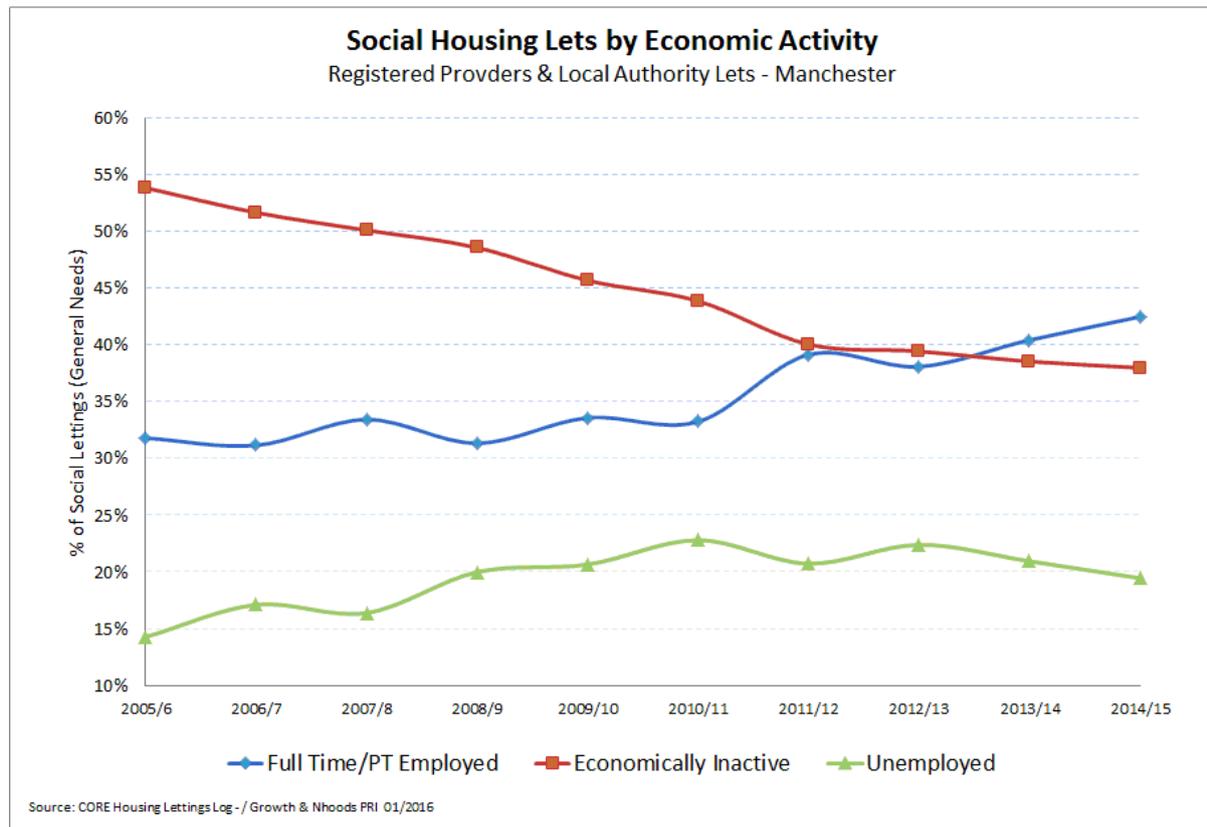
- **Social rented housing** is owned and managed by local authorities and registered providers (formerly housing associations) have guideline target rents determined through a national rent regime (at or around 60% of market rent).
- **Affordable rented housing** again is owned and managed by local authorities and registered providers but rent can be charged up to 80% of market rent. This was introduced by central government approximately 5 years ago as a way of lowering the level of grant required to subsidise the building of the new 'affordable' home

3.3 In Manchester, access to social and affordable rented housing is managed through Manchester Move which is now the common housing register and choice based lettings system that the Council shares with the 19 largest Registered Providers (RP's) in the city. The register is a dynamic tool with people entering and leaving it at a fairly constant rate. At the time of writing, there were 11,715 'live' applicants on the housing register of which, 4,710 (40.2%) are in a "**need to move**" band. This is the banding category that the Housing Act regards as in housing need and calls "reasonable preference". This could be interpreted as the true expression of the numerical demand for social housing.

3.4 Annual turnover of the social rented stock has been approximately 4000 homes per year. This could be interpreted as virtually all of applicants with a need to move are being met through the number of lets per year. This does not always correlate with the property type and location that applicants need to move into. However, the level of available property to let each year is worthy of note.

3.5 A key ambition for Manchester has been to incentivise and prioritise people who were making a community contribution including working people who might wish to apply for social housing. It is now an important design feature of the new scheme that it gives additional priority to working households above households that are not economically active in circumstances where their housing needs are the same. The overall impact of giving increased

priority as described above and other measures that the city and its partners have applied since 2008/9 can be seen in the table below.



Intermediate Affordable Housing

3.6 This is the category of affordable housing which shared equity, shared ownership and a rent to buy product fall into:

- **Shared equity housing** means that you can buy a given equity share in a property with the aid of a mortgage – for example 75%. On top of a purchasers deposit (usually 5%) the government or developer will provide the cost of the remaining 20% equity loan. The governments Help to Buy equity scheme is a good example of this and over the last few years has supported a number of new build property sales in Manchester
- **Shared ownership housing** is a system where the occupier of the house buys a proportion of the property and pays rent on the remainder. The usual starting purchase is 35% and the rent payable on the remainder is approximately 2.75% of the remaining 65%. Occupiers can ‘staircase’ up (which means to purchase additional shares in the property) and can potentially own the property outright. This is typically delivered by registered providers and in some cases local authorities.
- **Rent to buy** is a hybrid of the affordable rent and shared ownership option. This allows a tenant to rent a new build property for a period of time at affordable rent (80% of market rent) while they save for their deposit to purchase. This idea is that the tenant puts the 20% they are saving on market rent into a savings account and when they have enough for a 5%

deposit they will purchase a share of the property. This has not been very successful in Manchester with very few tenants progressing to purchase a share in the properties offered

- 3.7 The majority of the affordable new build homes built over the last 5 years have been for social and affordable rent with approximately 35% falling into the intermediate category of shared ownership and shared equity. These are offered and sold through a more conventional route using Plus Dane, the Homes and Communities Agency (HCA) Homebuy agent, local agents and internet portals such as Rightmove.
- 3.8 It is this third category of low cost home ownership that the city council has been more recently promoting with its delivery partners. It allows residents on lower incomes to purchase a property that without the shared ownership or shared equity product would normally be out of their reach. Officers are also exploring the potential for an improved rent to purchase scheme based on lessons learned from the current rent to buy scheme.

Affordable Homes Programme

- 3.9 The Homes and Communities Agency (HCA) has administered a number of funding programmes to develop affordable homes. Manchester has been very successful in attracting funding for this type of traditional affordable housing. Along with both public and private sector partners we have delivered over 2600 new affordable homes, predominantly affordable rent over the last 5 years. It is worth noting that during the same period we have lost just over 1300 social rented homes through Right to Buy, demolition and Right to Acquire in Manchester, giving the City a net gain of 1300 new affordable homes. There are a further 800 new homes in the pipeline with funding to be delivered by 2018 but we will need to see the impact of the extended Right to Buy during the next 2 years to understand any net gain or loss.
- 3.10 In the latest funding prospectus 2016 - 2021 released by the HCA in May the Government is making available £4.7bn of capital grant between 2016 and 2021 to deliver starts on site for at least:
- 135,000 homes for Help to Buy: Shared Ownership;
 - 10,000 homes for Rent to Buy; and
 - 8,000 homes for supported and older people's rental accommodation

There is a clear shift towards low cost home ownership and away from the provision of social and affordable rented homes.

- 3.11 In terms of new private sector development, Manchester's affordable homes requirements are set out in the Core Strategy. It requires that on any sites that are 0.3 hectares and above or where 15 or more units are proposed the developer will deliver 20% of the development as affordable homes, of which:
- 5% will be social housing – includes affordable rented housing
 - 15% will be intermediate affordable housing

- 3.12 The Core Strategy does however state that this target should be viewed as a starting point for developers and the proportion will reflect the type and size of the development as a whole; and where appropriate provision will be made within Section 106 Agreements to amend the proportion of affordable housing in light of changed economic conditions subject to a financial viability assessment. This approach provides flexibility in decision making. There is a Supplementary Planning Document that also addresses affordable housing policy, although this predates the Core Strategy and it may be appropriate to consider whether this should be retained in the context of the Core Strategy and emerging wider policy changes.
- 3.13 The most common approach to securing affordable housing through new development is to use section 106 agreements. However, Government has amended legislation to enable section 106 agreements to be reassessed if the affordable housing element undermines scheme viability. Alongside challenging development viability in the City since the 2008 recession, this has significantly reduced the scope for the Council to negotiate affordable housing through section 106 agreements.
- 3.14 The Planning and Housing Act also introduces Starter Homes as a new form of affordable housing. There is a duty placed on local authorities to promote their use as part of s106 negotiations which could also restrict the type of “affordable housing” we would want to develop on sites across the city. The implications of this will need to be explored further.
- 3.15 The traditional approach to affordable housing outlined in this section fails to link household income and the cost of renting or buying a new or existing home. It categorises ‘affordable housing’ into a particular mindset, and as we have shown earlier in the report it fails to take into account that a significant part of the market housing is in reality quite affordable to many households on relatively modest incomes.
- 3.16 For a high proportion of residents the key issue is how they access housing that is affordable to them. Deposit requirements are and will continue to be a major barrier for buying and renting a home in Manchester. This means that the national average age of a first time buyer is 37 is likely to increase. Recent reports indicate that products such as Help to Buy is bringing this age closer to 31 and the introduction of the accompanying Home Buy ISA will further support this.
- 3.17 Although not as big an issue rent deposits can often run into several thousand pounds as landlords will require 3 months in advance rent. Manchester has successfully used rent deposit schemes for move on and temporary accommodation and this could be an option that is considered for lower income households.
- 3.18 The 3 categories of “affordable homes” described can often become disconnected individual sectors and not part of a pathway through to home ownership that may be achievable for the vast majority of working Manchester households. We have shown that there are variations in household income

across the city highlighting the fact that a national policy and definition of affordable housing fails to take into account local circumstances.

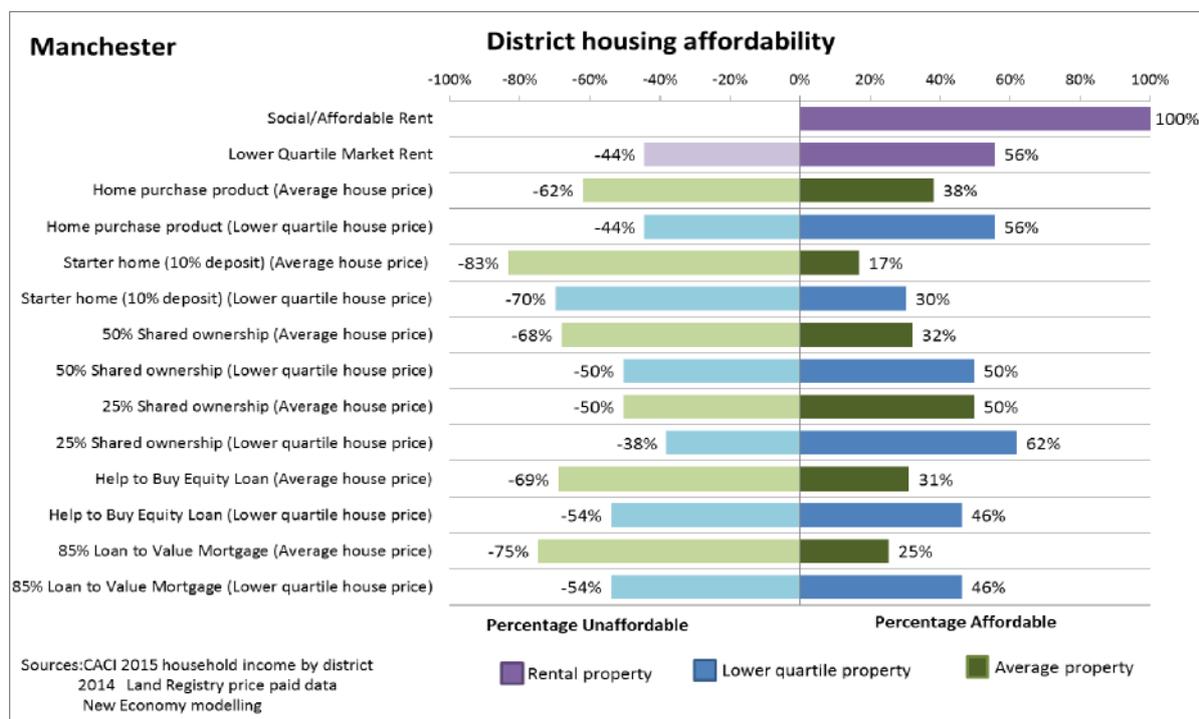
- 3.19 In doing this we can also begin to identify the constraints and barriers preventing residents accessing the homes and tenure of their choice. This in turn will shape the products required to connect social housing right through to outright homeownership and the various options in between, so Manchester residents can participate and share in the city's economic success. By creating connected pathways it should also be possible to create a safety net, allowing the pathway to be followed in reverse should circumstances change, rather than losing a home.

4.0 Housing affordability in Manchester; An alternative approach to providing homes that are 'Affordable'

- 4.1 The Manchester Strategy recognises that sustainable economic growth is directly connected to the housing offer in the city. The right mix of 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.
- 4.2 Our Residential Growth Strategy sets out our progressive approach to the provision of housing in the City. Future sustainable economic growth will, however, demand a supply of homes across the city that are affordable to purchase and rent for all employees and workers living in the city. To support this ambition the following are proposed as our key objectives;
- To provide a quality housing offer, the cost of which is linked to household incomes, ensuring that it is affordable to working households across a range of incomes and values
 - To ensure the city's social housing supports Manchester's Public Service Reform meeting the needs of vulnerable, older households and existing tenants for whom home ownership is not appropriate.
- 4.3 This can be done in a number of ways if we broaden our thinking of affordability so we fully understand and link between:
- Income
 - House prices
 - Rental Values
- 4.4 It is worth noting that there is currently no national standard that defines how much of a person's income could be spent on their rent or mortgage before a house is deemed unaffordable. The closest we have to a standard is the 4.5 x income which was introduced after the Mortgage Market Review by the FCA.
- 4.5 This equates to approximately 30% of the gross income which is a figure adopted in the major cities in the United States for their policy on affordable housing. This has also started to be used in the UK by a number of local authorities and in the private sector with responsible market rented schemes including Direct Lettings the property manager working with Countryside in the

North West. The private sector has adopted this approach to ensure potential tenants will be able to sustain rent payments. It is important to note that in determining a household income, all income is taken into account, including earned, non-earned and joint incomes where people share (not dissimilar to the way in which mortgage affordability is assessed). By applying this 30% of household income we can then develop a range of options and products that will support our residents in accessing homes of their choice across the city.

- 4.6 An example of the various products currently available and their relative affordability are illustrated below. This shows that there are opportunities for our residents and with some innovative thinking around home purchase products we can improve prospects for some of the lower income households:



- 4.7 As we have highlighted earlier in the report there are variations across the city but the general principle of affordability could be applied in all of these circumstances. If we then matched these with a flexible rental or purchase product (or combination of the two) a large proportion of our residents could widen their housing choice and aspirations.

Affordable Housing products that work for Manchester

- 4.8 The types of products we want to support our future programme are based on a pathway to home ownership as outlined in the residential growth strategy. They will also contribute to the rebalancing of our neighbourhoods where social housing is disproportionate to the market rented and home ownership tenure. As a city council we will support good quality homes priced at levels which are affordable to working Manchester households on an average income for both sale and rent. The range of purchase and rental options

currently available or being developed is:

- **Shared Equity** – this has been a major contributor to the house sales across Manchester particularly through the ‘Help to Buy’ scheme favoured by developers and lenders
- **Share Ownership** – in recent years this may have been viewed as a product for the lower end of the market but this could work across a large number of developments across the city including the city centre. Adactus Housing has successfully sold a number of shared ownership units in Ancoats and demand for this appears to be very high.
- **Market Rent to purchase** – Although this is not currently recognised as an affordable housing product in its own right this could work within Manchester. We currently have the basis for the product where we can link this to a savings plan similar to the Help to Buy ISA; however, it will require some development with lenders and partners. If this is designed properly it could become an accepted form of affordable housing where an element of the rent paid each month is set aside to create a suitable deposit to enable the tenant to purchase the property they are in or to buy another home.
- **Home Purchase Plan** – this is based on the ‘Genie’ product developed by the Gentoo group. There is no upfront deposit required and is a similar approach to a purchase plan for a car. The purchaser acquires full ownership of the property in stages as part of the period of the payment plan
- **Affordable Rent for working households** – This will build upon the work we have undertaken with Registered Providers across the city that allows working households to access properties let at an affordable rent through the use of local lettings policies.

4.9 These products will not just be limited to residents on average incomes or above, it should also include opportunities for residents who currently fall below this level but want to improve their housing options. Registered Providers in Manchester will play a major part in this as we will need to research and understand better the financial and other barriers faced by tenants living in the city’s 68,000 social homes, together with their aspirations following in particular our public sector reform programmes.

4.10 The new build affordable homes programme mentioned in the previous section was carefully planned to support a gradual rebalancing of tenure in the neighbourhoods they were built in but the effect so far has been minimal. If we want to ensure residents in each of our neighbourhoods and wards can share in the economic success of the city this rebalancing will need to be a key factor in our choices around the tenure options we would support in the future. To date this has been a very gradual change and in order to accelerate this rebalancing we should look to limit new build social and affordable rented homes to:

- Specialist and supported housing linked to our approach to an integrated health offer;
- Replacement of stock lost through Right to Buy and Extended Right to

- Buy; and
 - Demolition and estate regeneration.
- 4.11 Our approach going forward will be to maintain the current numbers of social housing within the city. Through our future redevelopment and regeneration plans along with the re-provision arrangements secured through the extended Right to Buy a more diversified tenure mix on our estates will emerge. Securing replacement social and affordable rented stock will be developed on small and medium sized infill sites.
- 4.12 As we know a large proportion Manchester's proposed development programme will be for market housing but this still presents an opportunity for the council to influence and shape what type and form of housing and products should be planned and built. This is an integral part of the Residential Growth implementation plan
- 4.13 There are a number of partnerships already in place across the city that have been innovative in not only in the way residential development is being delivered and funded but also the way public and private land is being 'invested':
 - The groundbreaking deal with the Greater Manchester Pension Fund has seen the first phase of new homes for sale and rent delivered with Executive approving the second phase in February.
 - Manchester Life has been instrumental in accelerating development for housing that supports the city's growing economy
 - 3 Private Finance Initiatives (PFI'S) in Grove Village, Miles Platting and Brunswick are regenerating large areas of the city and bringing forward affordable housing for sale and rent
- 4.14 These types of funding partnership and delivery vehicles demonstrate how progressive thinking can result in the practical delivery of new homes that are affordable to a wide income band of residents in the City without having to fit them into a constraining definition of affordable homes.
- 4.15 There is a commitment from Manchester's registered providers to work with the city council to develop our collective approach to the provision of our social and affordable housing. This is in part being driven by the Government's emerging housing policy but also through a will to maximise resources and make better use of our collective housing stock.
- 4.16 There will need to be a strong evidence base that sits behind the right product matched with the location, linked to our target market and income bracket. This will form the benchmark where we can begin to track how this is affecting change within our neighbourhoods, increasing economic activity and diversifying the housing offer. This work is well underway with officers using a range of data and information sources available. The analysis and application of this is becoming increasingly sophisticated and this is beginning to identify the key household groups within Manchester (see table below)

Group	Sub-Group	Estimated Households	%
Settled	A:Settled Owner Occs	21,520	9.6%
	B2:Owner Occs Family House	4,109	1.8%
	E1:Owner Occ with Grown up children	6,290	2.8%
Movers	B:Owner Occs on the ladder	8,981	4.0%
	B1:Owner Occs Affordable	13,314	6.0%
	C:Potential Downsizers	1,974	0.9%
Potential Owner Occs/Affordable	D:Flexible Renters	64,538	28.9%
	E:Renters - Would-be Owners	9,014	4.0%
	E2:Renters who can afford market or above	2,377	1.1%
	E4:Middle Market Renters	5,280	2.4%
Limited Choices	E3:Family Renters Limited means	23,225	10.4%
	G:Older Households Social Hsg	6,075	2.7%
	H:Struggling Households	39,814	17.8%
	J:Eldery Sheltered and Supported	6,647	3.0%
Students	F:Students	9,954	4.5%
	MANCHESTER	223,112	100.0%
Experian / MOSAIC data - PRI 04/2016			

Housing Affordability: Key Principles

- 4.17 This report sets out the current challenges and complexities around the affordability of housing in Manchester and it is clear that we now have the opportunity to redefine our approach. This will not only be in terms of new build housing but also to take into consideration the existing 68000 social and affordable homes that are owned by the City Council and its Registered Provider (RP) partners between them. As we develop our thinking further around affordability we will need to consider what role this quantum of 68,000 homes will play in our future housing market and our devolved health and social care agenda
- 4.18 National policy is going to impact on how affordable housing is allocated and delivered in future years. Manchester can lead the way by updating its planning policy and shaping the future of this type of housing provision. In order to do this we have set out some key principles as a basis for discussion and consultation with residents, key partners and associated organisations.

The proposed key principles are:

- Affordability of housing in Manchester should be linked and aligned with household income. As a principle housing costs should not be more than 30% of a household's gross income.
- There should be spatial and geographical considerations in the provision and type of homes that meet our affordability thresholds across the city to

- help maintain mixed communities and balanced housing markets
- New build social and affordable rented housing should only be developed for specialist and supported housing, replacement homes lost through right to buy, demolition or estate regeneration with the overall aim of maintaining the current quantum of social housing in the city.
- There should be a wide range of tenure blind 'affordable' options for residents in the city, including market sale and rent. We should seek to direct and support those who can afford it, into those homes.
- We should consider where appropriate, our Registered Provider and Council owned affordable housing as an incentive and reward for reducing dependency
- We should offer secure tenancies to those residents with long term dependencies where affordable housing will link into a wider health and social care package, reducing costs on the public purse
- We should make the most efficient use of our existing social housing stock including;
 - Re provision where stock is poorly designed or the wrong type
 - Adopting a more flexible approach to tenancies e.g. use of fixed term tenancies to enable a review of the need for a secure tenancy
- We need to review the use of our planning powers, policies and affordable housing requirements to ensure that we can continue to develop a sustainable housing market that provides for those who work in our economy whilst sustaining the attractiveness of the market to investors

4.19 It is proposed that officers consult with a range of residents and stakeholders across the city to test and develop the principles set out above so we can bring a report back to Executive that will include a refreshed policy approach to the provision of homes that meet the “affordability” thresholds proposed in this report.

5.0 Conclusion

5.1 Executive is asked to approve the principles outlined in Section 4 of this report and authorise officers to consult with residents and partner organisations. Officers will report back following the consultation process and provide an analysis of the options available to ensure the city council embeds the delivery of a range of homes that are affordable to those residents and households on average Manchester wages

6.0 Contributing to the Manchester Strategy

(a) A thriving and sustainable city

6.1 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

6.2 The new and existing homes will be well connected to employment

opportunities and schools

(c) A progressive and equitable city

- 6.3 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

- 6.4 The right mix of quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the city and enjoy a good quality of life.

(e) A connected city

- 6.5 This approach recognises the importance a balanced housing offer plays within a well connected city and the neighbourhoods within it. It seeks to create neighbourhoods where residents will choose to live and their housing needs and aspirations are met

7. Key Policies and Considerations

(a) Equal Opportunities

- 7.1 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

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

(c) Legal Considerations

- 7.3 At this stage, the recommendations are, primarily linked to consultation and planning and, as this process develops the potential risks will be more clearly defined. However, the following considerations should be taken into account;-

- 7.3.1 At an early stage the potential financial risks to the Council should be identified in relation to each of the options identified in Sec. 4.8. This will clearly involve necessary due diligence to identify the potential exposure in the event of default.
- 7.3.2 The development of any products linked to investments or savings will require compliance with FCA and other regulations including (but not limited to) Consumer Rights Act 2015).

- 7.3.3 Care must be taken in how such products are marketed in terms of representations etc.
- 7.3.4 The relationship with Registered Providers and other third party advisors and suppliers should be adequately documented.