

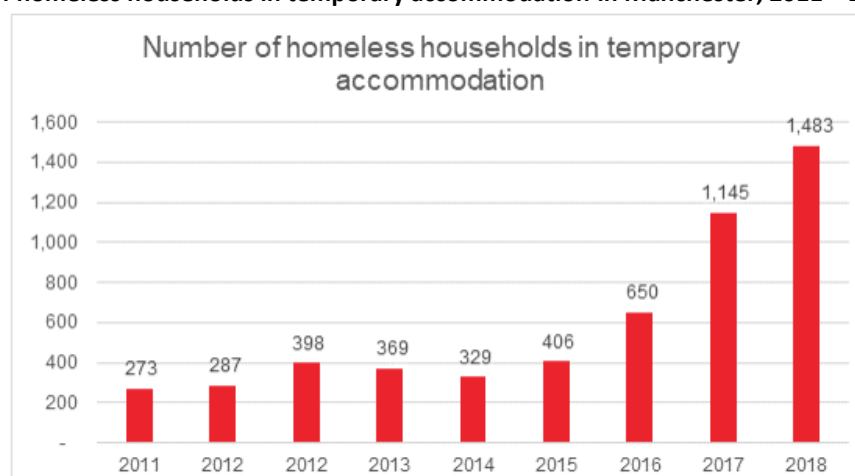
Shelter Briefing Note: Manchester City Council's Affordable Housing Planning Policy

What's the problem?

1. Rising homelessness and large housing waiting list

Homelessness has risen starkly in Manchester. As Figure 1 illustrates, between 2011 and 2018 the number of homeless households in temporary accommodation rose from nearly 273 to 1483.¹

Figure 1: Number of homeless households in temporary accommodation in Manchester, 2011 – 2018.²



New Shelter research also indicates that as of 2018, 4,042 (1 in 135) people were recorded as homeless in Manchester. This is the highest rate of homelessness for North England.³ Additionally, as of 2018, Manchester City Council (MCC) has 13,466 households on its waiting list.^{4 5}

2. Poor record of social housing delivery

Good levels of social housing delivery are critical to redressing homelessness and addressing social housing need. However, MCC's recent record of planning for and delivering social housing is very poor. For example, in 2017/18 of 2,974 homes delivered in Manchester only 28 were social rent homes.^{6 7}

¹This statistic, and all 'Manchester' statistics are referring to Manchester City Council's area, rather than Greater Manchester.

²[Detailed local authority level homelessness figures](#)

³Shelter (2018) [320,000 people in Britain are now homeless, as numbers keep rising](#)

⁴[Table 600: Numbers of households on local authorities' waiting lists, by district, England](#)

⁵There are increasingly tight criteria for determining who is eligible to be placed on the social housing waiting list. So, the social housing waiting list is likely to result in underestimations of actual need for social housing.

⁶MHCLG, Live tables on dwelling stock, Table 122: housing supply; net additional dwellings, by local authority district, England 2001-02 to 2017-18

⁷MHCLG, Table 1011: additional affordable housing supply, detailed breakdown by local authority 2017-18

Additionally, a Guardian report released in March 2018 revealed that over 2016/17, MCC's planning committee granted planning permission for 14,667 homes across big schemes, none of which will provide any social or affordable housing.⁸ During 2016/17, across 19 other developments, permission was only given for the delivery of 850 affordable homes, 136 of which will be for social housing.⁹

But, Councillors in Manchester have called on MCC to deliver more genuinely affordable housing, particularly in the city centre. In response, MCC has committed to conduct a feasibility study of delivering social housing in Manchester's city centre. MCC has made this commitment alongside proposing to build 3000 "genuinely affordable" homes over the next 10 years. MCC has proposed that $\frac{1}{3}$ of these homes will be for social rent, $\frac{1}{3}$ will be for affordable rent, and $\frac{1}{3}$ will be for shared ownership. Although these plans are only likely to address a small amount of social housing need in Manchester, it seems that MCC is concerned with redressing its poor record of delivering social housing. We therefore have a big window of opportunity to successfully lobby for policy changes that will assist MCC in increasing its social housing delivery.

What is contributing to MCC's low levels of social housing delivery?

1. National-level barriers

There are a variety of factors that shape an LA's ability to successfully deliver social housing within its boundary. These include factors that are outside of the LA's direct control such as:

- the availability of affordable land to purchase, and the ability to do so;
- the amount of government grant available for social housing delivery;
- government rules exempting some schemes from providing social housing through Section 106 agreements;
- government rules around how Right to Buy sales receipts can be used, which have led to social homes being sold off faster than they can be replaced;
- the impact of Right to Buy itself on the development economics of direct delivery of new social housing by LAs; and
- the ability of LAs to sustainably borrow money within their housing revenue accounts (HRAs). There are two possible dimensions to this.
 - With the lifting of the HRA cap in October 2018, LAs can now borrow against their housing revenue up to prudential limits. If an LA has low revenue streams, for instance because it has a small social housing stock and receives a low level of rents, then it will not be able to borrow significant amounts of money for social housing delivery. HRAs have been depleted by the government's policy of annual 1% social rent reductions since 2016, though this policy will end in 2020.
 - Many LAs hold expensive historic loans from the Public Works Loan Board, and LAs face penalties for early repayment. These loans take up headroom which could instead be used to borrow to invest in new social housing.

⁸Pidd, H. (2018) [Housing Crisis: 15,000 New Manchester Homes and Not a Single One 'Affordable'](#), The Guardian.

⁹Ibid

It will be important for MCC to work alongside the GMCA to lobby central government to introduce national-level changes that will enhance LAs' resources and powers to deliver social housing.

However, there is also something else that MCC can do, which is more tightly within its control, to increase social housing delivery within Manchester: amend its affordable housing policy.

2. MCC's affordable housing policy

We have significant concerns about MCC's affordable housing policy. MCC currently only has a 20% affordable housing policy, which does not set a specific social housing delivery requirement. Additionally, MCC's affordable housing policy contains a variety of clauses and omissions which enable developers to get out of providing any social and affordable housing within their schemes:

- i. MCC has no specific social housing delivery policy*
 - Without a specific social housing delivery policy, there is no policy basis for MCC to challenge developers over housing proposals that contain poor levels of social housing.
- ii. MCC's affordable housing policy only applies to schemes providing 15+ units*
 - Nationally, it is common for an affordable housing requirement to apply to schemes providing 10+ units. MCC adopting a higher threshold narrows the scope of developments that are expected to provide affordable housing.
- iii. Within schemes, MCC's 20% affordable housing policy only acts as a "starting point" for calculating affordable housing contributions.*
 - This policy guidance enables developers to negotiate down affordable housing contributions.
- iv. MCC's policy allows for a review mechanism within section 106 agreements. This review mechanism can amend the amount of affordable housing provided in light of changed economic conditions.*
 - This guidance gives off the erroneous impression that review mechanisms can be used to allow developers to negotiate down their affordable housing contributions. Viability rules have been updated to indicate that this is not the case. MCC's policy needs to be updated to reflect this clarification.
- v. MCC's policy enables developers to use viability assessments to get out of providing affordable housing, or to provide affordable housing at levels that are much lower than are required under MCC's policy.*
 - The government revised the rules around viability tests in 2018, so that councils now have a stronger position to take into Section 106 negotiations with developers on affordable housing. However, councils will need to undertake robust viability testing of their policies at Local Plan stage in order to be able to resist challenges. MCC should update its Local Plan to reflect this new national policy climate.

- vi. *MCC's affordable housing policy exempts schemes from providing affordable housing, or allows schemes to provide a lower proportion of affordable housing, as a result of material considerations.*
- These material considerations include where affordable housing delivery would:
 - take place in areas with high levels of affordable and social housing and so 'would be prejudicial to the diversification of the existing housing mix';
 - 'prejudice the achievement of other important planning or regeneration objectives'; and
 - 'financially undermine significant development proposals critical to economic growth within the City'
 - These material considerations are vaguely defined, meaning that there is ample room for developers to use this guidance to get out of providing required levels of social and affordable housing.

What are potential solutions?

MCC will need to amend its affordable housing policy. It is positive that MCC has indicated that it will develop a new Local Plan, as this will trigger MCC developing a new affordable housing policy. This will be a long-term process, and MCC's process of developing a Local Plan will likely coincide with the Greater Manchester Combined Authority (GMCA) developing its spatial framework (due to be completed in late 2020).

We think that there are several amendments, falling within three main asks, that MCC could make to its affordable housing policy and guidance.

ASK 1: MCC SHOULD DEVELOP SOCIAL HOUSING REQUIREMENTS WITHIN ITS LOCAL PLAN. IN LINE WITH SHELTER'S FUTURE OF SOCIAL HOUSING REPORT, THE COUNCIL MUST DO EVERYTHING POSSIBLE TO SECURE DECENT SOCIAL HOMES THAT ARE AFFORDABLE FOR ALL THOSE WHO WOULD BENEFIT FROM THEM.

- i. ***MCC should develop an overall social housing delivery figure for Manchester that is informed by area-based social housing policies***

MCC should conduct a new housing need assessment which assesses the full range of social housing need for its boundary. Based on this need assessment, and an assessment of what is viable, MCC would be able to set a figure for the level of social housing that should be delivered within its boundary, as a proportion of overall housing delivery. In section 106 negotiations, MCC would then have the evidence base and policy basis to require particular levels of social housing contributions from developers.

The housing need assessment would need to follow the Government's approach to assessing need: the standard method for assessing housing need.¹⁰ But, we have significant

¹⁰MHCLG (2018) [Housing Need Assessment](#)

reservations about whether the standard method will equip LAs with the tools to robustly assess the full range of social housing need within their boundary.¹¹

MCC must ensure that it conducts a proper assessment of social housing need for its boundary that incorporates all of the following types of need:

- the number of homeless households;
- the number of those in priority need who are currently housed in temporary accommodation;
- the number of households in over-crowded housing;
- the number of concealed households;
- the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings);
- the number of households on the social-rent housing waiting list who are not in priority need;
- households who are not on the social-rent housing waiting list who are in priority need;
- younger private renters who are trapped out of home ownership; and
- older private renters who cannot afford to own a home

In accordance with government guidance on viability, MCC should then assess the viability of delivering certain levels of social housing on different site typologies that have shared characteristics, for instance, location. MCC would then be able to develop a picture of what levels of social housing are genuinely deliverable in different locations. MCC would subsequently be able to develop area-based housing policies that outline the proportion of social housing required in these different areas. It would be far more difficult for developers to avoid adhering to these area-based policies, as MCC would have conducted rigorous viability testing to identify what levels of social housing are deliverable in different locations.

By robustly assessing both the need for social housing and the capacity for new developments to meet that need through the Section 106 system, MCC can increase the number of social homes built through existing powers and resources. This would be a significant step forwards for meeting social housing need in Manchester.

ASK 2: MCC SHOULD REMOVE GET OUT CLAUSES FROM LOCAL PLANNING TO MAKE SURE DEVELOPERS ARE UNABLE TO SIDESTEP THEIR RESPONSIBILITY TO BUILD SOCIAL HOMES.

i. Bringing the threshold for affordable housing contributions down to 10+ units

This change would bring MCC's affordable housing policy in line with government guidance on thresholds for affordable housing contributions. Importantly, this change would widen the scope of housing developments that MCC could require affordable housing contributions from.

ii. Incorporating new viability rules introduced by the new National Planning Policy Framework

Firstly, MCC should take account of new government guidance on viability in its affordable housing policy and within its overall housing provision policy. This guidance clearly states that

¹¹Shelter (2018) [Consultation response – updates to national planning policy and guidance](#)

“Where [a] viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.”¹² This will leave no ambiguity over the fact that developers will need to factor in a x% affordable housing contribution when deciding how much to pay for land.

Secondly, MCC should incorporate new government guidance which states that “Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities’ ability to seek compliance with relevant policies over the lifetime of the project.”¹³ This will make clear that review mechanisms are for the specific purpose of increasing developers’ affordable housing contributions, in order for these contributions to be policy compliant.

Thirdly, when updating its Local Plan, MCC should undertake robust viability testing of its policies in order to be able to resist challenges. According to viability guidance, LAs should test the viability of delivering all relevant planning policies for different site typologies. This should allow LAs to require more social housing in more viable areas, increasing social housing delivery overall.

iii. Removing the references to material considerations that exempt schemes from providing social and affordable housing

This ask refers specifically to the following material considerations cited by MCC:

- where social and affordable housing delivery ‘would be prejudicial to the diversification of the existing housing mix’;
- where social and affordable housing delivery would ‘prejudice the achievement of other important planning or regeneration objectives’; and
- where social and affordable housing delivery would ‘financially undermine significant development proposals critical to economic growth within the City’.

This ask is informed by three perspectives that should shape MCC’s affordable housing policy:

- that MCC’s affordable housing policy should seek to maximise the delivery of homes that meet housing need, rather than being led by a concern for mixed-tenure communities. If a particular area needs social and affordable housing delivered, then this is what MCC’s policy should encourage the delivery of, even if the area already has high levels of social and affordable housing;
- that areas of Manchester with high levels of social and affordable housing may also have the best transport links. This means that these locations may also be the best place for new homes—new residents would have good access to services, jobs and other opportunities that they need; and
- that social and affordable housing delivery should be seen as positively contributing to, rather than undermining the delivery of, MCC’s planning, regeneration and economic strategies.

¹²MHCLG (2018) [Guidance: Viability](#)

¹³Ibid

ASK 3: MCC SHOULD ENSURE THAT DEVELOPERS PROVIDE 20% AFFORDABLE HOUSING ON ALL DEVELOPMENTS, AS REQUIRED BY ITS LOCAL PLANNING POLICY.

i. Removing the clause which says that the x% policy only acts as a “starting point” for affordable housing contributions

Removing this clause will remove the policy base that developers have to negotiate down affordable housing contributions. It will send a strong signal to developers that their housing schemes will need to deliver on a 20% affordable housing policy, of which as much as possible should be for social-rent housing.

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