Date Discussed by Leaders: 30 October 2015

Title: Rethinking Social Housing in Greater Manchester

Portfolio Leader: Cllr Sue Derbyshire (Leaders Stockport MBC)

Chief Executive Portfolio Holder: Eamonn Boylan (Stockport MBC)

Summary:

Leaders discussed the attached presentation which sets out some ideas GM will explore with Government and local partners to maximize GMs capacity to provide affordable housing offer in GM.

Status:

Leaders supported the approach outlined in the slides as work in progress with a view to a formal report being submitted to the Joint GMCA and AGMA Executive in November 2015.

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Rethinking social housing in
Greater Manchester
GM Context

• Weak supply of all new housing since 2008, undermining or ability to match economic growth with a residential offer supporting working households
• Tightened mortgage lending criteria means home ownership out of reach for many working households
• A rapidly growing private rented sector of variable quality estimated at or around the same level of social rented stock
• 263,000 (23%) of GM households living in social rented sector (housing associations and ALMOs)
GM Housing Providers

- Kept investing in new homes through the recession – between a third and a half of GM total every year since 2009
- Social housing tenants are key client groups for many of our public service reform interventions
- Housing providers active and committed partners on health & social care, skills & employment, fuel poverty/carbon reduction, crime and ASB and complex dependency work, etc.
- Central stakeholders in the communities where their housing assets are held
Summer Budget

- Significant changes to Government approach to social and affordable housing:
  - Reduce social rent by 1% p.a. for 4 years (previous rent formula allowed for 1% +CPI increase per annum)
  - Social renting households with an income above £30k to pay full market rent ‘pay to stay’
  - Right to Buy extended to housing association tenants
  - Benefit cap reduced to £20k per annum
Impact on GM housing providers

- We estimate collective rental income will reduce by £345 million in GM over the 4 years of the rent reduction, compared to CPI + 1% as previously expected.
- Right to Buy sales are likely to increase substantially, accelerated by the switch to full market rent for better off households.
- Local Authorities to fund the extended RTB discount with sales of ‘high value stock’.
- A driver for change which providers and Local Authorities cannot ignore, an opportunity for some but a real challenge to others.
Interpreting Government’s agenda

• Switching attention and investment from social housing to home ownership
• Social housing as part of the welfare reform agenda – who gets subsidised homes and for how long?
• Looking for ways to unlock the capital subsidies held in social landlords’ housing stock and focus it differently
• Tackling the inefficiency created by multiple landlords – (86 RPs operating across GM)
• ‘Osborne attacks registered providers for not building enough new homes’. Dissatisfaction with the sector for not using its assets to create enough new development
• NHF/Greg Clarke deal on RTB for housing associations includes commitment to new build replacement but clear push toward home ownership products for those replacement homes
Time for radical change

• Two key drivers/opportunities for radical change to how we deliver and manage our affordable housing offer in GM:
  – A GM devolution opportunity to drive a sensible affordable housing offer alongside market housing growth
  – Government policy direction which threatens to undermine the ability of RPs to help deliver reformed public services for residents
Building a new GM model

- Rethink the purpose of our social housing stock
- Make better use of the value of those combined assets
- Actively help working age households to increase their income and along flexible, affordable routes into home ownership, for many in homes built by RPs for that purpose
- Commit to provide high need households and older households homes which support their independence and reduce demand for public services
- Make the ‘subsidy’ inherent in social housing more portable so that it can be switched from those who don’t need it anymore - without damaging social cohesion
- Reduce fragmentation and duplication to make management more efficient and embed social housing in our integrated public service offer
Three development stages

1. Principles: build an agreed initial picture of what we’re aiming for
2. Analysis: who we will be providing homes for, what models or housing ‘products’ will be available to help them, what the structural, financial and governance issues we need to resolve are, what flexibilities or support we need from Government
3. Implementation: aim to agree an MoU between GMCA and providers to set out the stages of implementation
1. Some potential principles

• Using the scale of our collective asset base more effectively to support growth
• Embedding housing providers deeper into our public service reform implementation
• Driving savings through collaboration and economies of scale
• Co-design of a new future for housing provision by GM, providers and Government
1. Redefining affordable housing?

- Breaking the artificial barriers between affordable housing and market housing, using combined asset base to invest in more new homes.
- Putting working age households on incentivised and flexible pathways toward home ownership, directly connected to our skills and employment provision to help raise household income.
- Focused provision of secure homes for our vulnerable households, integrated into GM’s place-based health and social care systems, and helping households maximise their independence.
2. Meeting real housing need

- Identify the groups of households we will continue to need to provide homes for in the long term
- Modelling what working age households can afford and the products that will help them achieve their aspirations for home ownership
- Understand how new homes for older households can match their current and future needs and help reduce demand for health and social care services for example through better step up/step down options
- Define and map our vulnerable households and the demands they make on public services
- Understand which high need households can realistically achieve sustainable employment, and the support will they need to do that
3. Finance & governance

- Examine potential mechanisms to bring assets together to generate more investment
- Develop options for reducing the current fragmentation within the sector
- Build a framework to retain diversity of provision and local connection while improving efficiency and reducing duplication
- Scope out the help, investment and flexibilities we need from Government and the regulator for the new model
- Dialogue with the sector’s existing and potential new funders to understand their views and requirements
4. Designing the new offer

- Developing the flexible models or housing ‘products’ we should be offering to give households a clear pathway to home ownership, while being flexible enough to help households through temporary setbacks
- Shaping the integrated service offers we will make to working households, older households, and those with higher level needs
- Scoping how many new homes this could deliver in GM
- Building the governance and financial structures needed to make this work
- Mapping the implications and benefits for individual housing providers and their Boards
GM Providers Group

- Engaged and committed to exploring the potential of a GM approach, working on an ‘offer and ask’ document
- Providers as ‘trusted partners’ with a social purpose with a good fit with public service reform agenda
- Capacity and resources to contribute, but need to demonstrate efficiency and increase focus on financial viability as Government funding and rent income decline
- Pursuing three workstreams:
  - Why: Economic, labour market and demographic change and welfare reform and what that means for housing in GM
  - How: Finance, governance/regulation and the asset base
  - How far, how fast: taking conclusions from the first two to inform an offer and ask for GMCA including early actions on assets and public service reform
Implementation

• This is a substantial and complex proposition and will take time to deliver
• First key milestone could be an MoU with participating partners
• Phased implementation will be helpful and necessary – some elements could begin with remaining Council-owned stock (i.e. ALMOs)