

Policy Brief 1

Why we need sustainable homes for social rent: An agenda for change



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SUMMARY

This first policy brief from the Manchester Social Housing Commission stems from our forthcoming report about the scale and nature of the housing crisis in England and its specific trajectory in the Manchester context. It summarises the report's main findings and the urgent national policy actions needed.

Manchester's booming urban development over the last 25 years is juxtaposed with some of the country's highest levels of homelessness, rough sleeping, and households in temporary accommodation.

At the heart of this local crisis is a wider national supply-side problem affecting all tenures that is driving house prices and rents - especially in the private market - to rise much faster than incomes.

But unmet housing need is also a result of the long-term erosion of social rented housing as the most affordable, secure, and decent tenure that best meets the needs of those priced out of other tenures, as well as our most vulnerable communities.

Manchester has lost over 16,000 social rented homes since 1979, mainly from Right to Buy sales and the failure to replace them due to decades of under-investment. As a result, nearly 18,000 households are currently stuck on the city's social housing register, most waiting years to be re-housed, some indefinitely.

The government's ambitious target of building 1.5 million homes over this parliament is welcome but cannot be achieved without

significant public investment in a new generation of sustainable homes for social rent.

This investment will provide a major return in the long run by reducing the welfare and temporary housing bill, improving health outcomes, boosting construction-related tax revenues and community wealth-building, and addressing the climate and cost of living crises for present and future generations.

But to do this requires five major and urgent changes in national policy direction.

OUR FIVE URGENT POLICY ASKS

1. Reinvest in Social Rent

A major upscaling of public investment in new social rented housing delivery requires a generous long-term funding and rent settlement for social landlords, and greater access for local authorities to cheaper borrowing to build and retrofit through the Public Works Loan Board.

2. Reform Planning to Prioritise Sustainable Social Rent in Affordable Housing Delivery

The definition of 'Affordable Housing for Rent' in planning policy must change to clearly distinguish between Social Rent and other tenures, alongside the reinstatement of national statutory planning targets for social rent, ending the current developer viability opt-out, and allowing local plans to go beyond minimum building regulations in requiring better energy standards and ecological design.

3. Rethink the Right to Buy

Government must go further than reducing the discounts and suspend the RTB/ Right to Acquire for existing and new tenants with a view to outright abolition to prevent the further loss of social rented homes that also acts as a disincentive to new supply.

4. Retrofit Long-Term Empty Homes for Sustainable Social Rent

Local authorities should be empowered to bring the large number of long-term empty homes back into use as social rented housing retrofitted to high energy standards through targeted grant funding, stronger compulsory purchase powers, tougher and mandatory council tax premiums, and the abolition of VAT on refurbishment.

5. Embed Community Voice and Ownership into the Planning System

Communities and their locally elected representatives should have stronger statutory powers within the planning system to properly shape the investment decisions that are made about their own neighbourhoods, with longer-term funding to support neighbourhood planning and community-led development.

To download this policy brief and the full evidence-based review it is based on, scan the QR code or visit: www.socialhomes4mcr.org.uk/publications





In October 2023, Miles Platting residents march for social housing to replace more than 500 homes lost to redevelopment and right to buy since 2007. Image credit: CLASS

About the Manchester Social Housing Commission

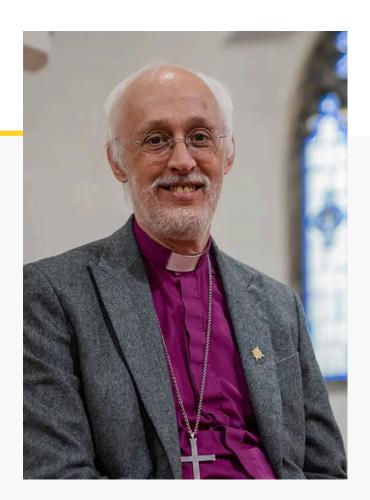
The Commission joins together tenants, grassroots community organisations, campaigners, political leaders and officers at Manchester City Council, senior public and voluntary sector housing and planning professionals, and academics in a shared purpose: to achieve accelerated delivery of housing for social rent that is ecologically sustainable in the City of Manchester by 2030.

We take a co-produced and evidence-based approach to engaging with the intersecting nature of the housing, climate, and cost of living crises. Over the next 12 months, we will produce a set of practical, evidence-based, and financially robust recommendations to help deliver the Manchester Housing Strategy targets as well as the housing growth, regeneration and decarbonisation challenges faced within the city.

FOREWORD FROM RIGHT REVEREND DR DAVID WALKER, BISHOP OF MANCHESTER

Thirty-five years ago, I wrote to my then bishop, expressing my increasing concerns that the 1990s would usher in a housing crisis at least as significant as the crisis in employment had been for the previous two decades. His response was to set up a Commission and appoint me as its secretary. Three and a half decades later, I find myself once again at the heart of a Commission which brings together academic research, public and charity sector understanding, business acumen and the lived experience of the people of a great city. Now, as then, the Commission's task is to engage with the complexities of housing in order to advance ambitious but concrete proposals. However, this time we do so in the context of the cost of living and the climate and ecological crises.

This Policy Brief is unashamedly Mancunian. Whilst some of our Commissioners come from further afield, we are focussed on the specifics of a particular city. A city which by its very success in recent times has seen a move from having unlettable social rented homes within recent memory to one of the most severe shortages of affordable homes for rent outside London. That does not mean that our report is of little relevance to those from other parts of England and the UK. Rather, by taking a deep and close look at the place of social housing and interlocking crises in this one city, we believe that we are shedding light on the problems experienced in, and possible solutions for, many other urban areas of Britain.



We are also aware that we are offering this contribution at a critical moment in the UK political scene. A newly elected government, with a substantial parliamentary majority, is better placed than at most points in the political cycle to think beyond the short term.

And housing, especially social rented housing, has long been dogged by short term policies, ones aimed at addressing only the most immediate and acute issues, to the detriment of the longer term good of the people of our nation, of planetary wellbeing, and long term financial benefit to the Treasury.



THE HOUSING CRISIS

Access to safe, secure, and affordable housing is a fundamental human right enshrined in international law. It provides a foundation for many other basic human rights such as health and wellbeing, an adequate standard of living, education and work, and equality of opportunity and outcomes.

The United Nations defines adequate housing as having essential facilities such as safe drinking water and sanitation in homes that are habitable and safe, with a decent quality living environment that is also culturally appropriate. Housing should also be affordable so that housing costs do not compromise someone's ability to meet their basic needs and located near to employment options and essential public services. It should be lawfully accessible to all, especially disadvantaged groups, and be legally secure to protect people against forced eviction, harassment and other threats.¹

The growing scale of homelessness and households languishing in poor quality temporary accommodation, the frequent damp and mould horrors facing tenants, and the wider building safety crisis exposed by the 2017 Grenfell disaster, are all reminders that across the country, the right to adequate housing is not being met for increasing numbers of people.

The homelessness scandal

In England, the situation has now reached a critical point with 1.3 million households on social housing waiting lists (2023)², and 109,000 households - including 150,000 children - living in temporary accommodation³, the highest figures since records began in 1998. The number of households presenting as homeless has increased by 18.3% over the past five years.⁴

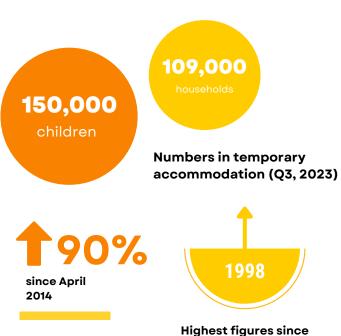
Homelessness is a serious issue in our city of Manchester. Despite its booming economy and skyline over the last 25 years, it has the second highest local rate of homelessness and the highest local rate of temporary accommodation in England outside London (three times the national average). Worse, Manchester has the sixth highest number of children living in temporary accommodation in England, including London.

This is just the tip of a growing iceberg with 17,836 households officially recorded on the social housing waiting list in October 2024⁶, a 57% increase since 2015/16. This includes many who have already waited years and some who will never be housed, but excludes many more in housing need deemed ineligible for the register.

6,660



Homeless applications opened in Manchester 2021-22 (more than any other local authority in England)



Rampant unaffordability

At the heart of this local crisis is a national affordability problem. New housing supply neither matches population growth, new household formation nor existing backlog need ⁷, driving house prices and rents - especially in the private market - to rise much faster than wages and benefit levels, disproportionately impacting those on the lowest incomes. Rising energy bills further exacerbate this affordability gap, with stark choices being made for 1 in 8 households in England between eating or heating.

From 2015 to 2023



84%

Increase Average house price paid MCR



61%

Increase Average monthly rent MCR



18.7%

growth in median hourly earnings over the same period MCR

Widening unaffordability is particularly pronounced in Manchester. Between 2015 and 2023, the city experienced an 84% increase in the average house price paid and a 61% increase in the average monthly private rent compared to 53% and 41% respectively across England. These increases far exceed the 18.7% growth in median hourly earnings over the same period in Manchester, and contribute to the city's seventh highest rate of fuel poverty in England, affecting 1 in 5 households.

The market model has failed

While Manchester's housing crisis is rooted in several interconnecting factors, it has been fundamentally shaped by the state's long-term retreat from housing provision and the stark failures of a predominantly market-based approach to housing development.

In the latter half of the twentieth century, the state addressed previous housing market failures and war-time destruction by regulating private landlordism, and both building and funding millions of social rented homes, alongside similar levels of private housing development.¹³ This meant that by 1979, owner occupation and social rented housing had become the main tenures, with the private rental sector in long-term decline.

Since then however, successive governments have overseen decades of public underinvestment in housing provision, the curtailment of local authority house building, and the failure to meet the emerging climate and fuel poverty crises through inadequate standards for sustainable homes, whilst encouraging the wider privatisation and financialisation of housing development and consumption.

This has contributed to a major decline in house building of all tenures as private house builders, developers and landowners have sought to maximise profit through constraining supply, raising scarcity and capturing monopoly rents.¹⁴

The erosion of social rented housing

While the supply of other housing tenures has at least continued to grow, since 1979, the total stock of social rented housing in England has fallen from 5.5 to 3.8 million. In Manchester, there has been a net loss of more than 16,000 social rented homes over this same period. This has decimated the most affordable, secure, and decent tenure that best meets the needs of those priced out of other tenures, as well as our most vulnerable communities.

A major cause has been tenants' statutory Right to Buy (RTB) since 1980. Nationally, over 2 million social homes have been sold to tenants during this period, including over 26,000 sales in Manchester. At the same time, the new supply of social rented housing has failed to replace that stock, let alone meet newly-arising need.

To underline the scale of the problem, recent estimates suggest that at least 90,000 net additional social rented homes are needed across England every year to address current unmet demand and projected future need. ¹⁷ Yet, England is currently building less than 10,000 social rented homes per year while losing 26,700 per year from primarily RTB sales - an annual deficit of 16,700 social rent homes. Worse, research has found that 41% of all homes sold under RTB are now rented out by private landlords. ¹⁸

This represents a triple loss: of affordable and secure social rented housing; of vital revenue streams for social landlords to repair and invest in new homes; and of precious public subsidies for private landlords that could be spent on social rented housing.



A deliberate policy choice

Such trends are the result of a deliberate policy approach since the early 1980s of preventing local authorities from either borrowing or spending RTB receipts to build new or replacement homes, alongside the gradual reduction of grant funding to all social housing providers from nearly 100% of the capital cost of a new home in 1989, to just 14% between 2011 and 2015. Moreover, since 2011, government capital funding for new affordable housing has mainly targeted other tenures such as Affordable Rent (set at 80% of local market rents) and shared ownership. And the same and shared ownership.

The growing mismatch between grant levels and the costs of building new social rented homes has been widened by the combination of land and construction cost inflation, and the increased cost implications of building safety and consumer regulation since the Grenfell disaster. Land appears to be a particular problem as social landlords struggle to compete in bidding wars with housebuilders and private developers who can offer more for the land when proposing to build for market sale.²¹ Between 2011/12 and 2014/15, the top 10% of local authorities in terms of land values experienced an estimated 70% drop in the numbers of new affordable / social rented homes, compared to a 20% drop across the rest of England.22

While there has been a welcome increase in government funding for new social rented housing since 2018, and a positive shift in prioritising the remaining Affordable Homes Programme funding for social rent by the new government, this remains insufficient to meet housing need. By way of illustration, an estimated £14.6bn in capital funding is needed each year over a ten year period just to meet social rented housing need, yet the current Affordable Homes Programme equates to only £2.3bn per year over five years and funds a range of tenures. 24

The developer-friendly planning system also contributes to the shortfall of social rented housing. Since the Town and Country Planning Act (TCPA) 1990, local authorities have been able to plug some of the funding gap from declining grant levels by requiring developer contributions for affordable housing through Section 106 agreements. As of 2022/23, 47% of new affordable homes - including social rent - were being delivered (at least partially) through S106.²⁵

However, the nature of this new affordable housing has shifted from primarily social rent to shared ownership and other tenures: in 1999/2000, 82% of new affordable homes in England funded through S106 were for social rent; in 2022/2023, that figure was just 14.9%.²⁶



At least **90,000** additional social rented homes needed across England every year to address unmet demand and future need, yet only **10,000** new social homes built per year

This decline stem from changes introduced by the National Planning Policy Framework (NPPF) since 2012, such as the scrapping of statutory requirements for both affordable housing in S106 agreements and minimum affordable housing targets.

The NPPF also loosened the definition of both affordable and social housing for the purposes of planning consent to include more sub-market tenures and products that have served to diminish the obligation for social rent. Finally, planning practice guidance introduced financial viability assessments that have effectively guaranteed minimum profit margins for developers of 15-20%, empowering them to water down or fully evade contributions to social and affordable housing.

The current property-led model of urban development has also contributed to the problem. Against the background of long-term public funding cuts, private developers have become a prized source of local investment and urban regeneration. While this has helped Manchester to recover from a state of urban decline in the 1980s, and regenerate and transform many areas, very little affordable housing of any tenure has been gained from private developers. Moreover, there are concerns from some local communities that the dynamics of city centre investment and university expansion have led to an imbalance in the types of housing, developments, and social infrastructures being built.

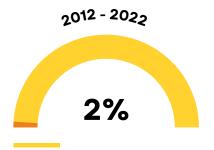
The deregulated private rental sector

As access to both affordable home ownership and social rented housing has become more difficult, ever-increasing numbers of households are living in the highly deregulated private rental sector (PRS).

Whilst there is a need for private renting to meet the housing needs of those who require flexibility, the over-reliance on this tenure forces many households into unsuitable and unaffordable accommodation.

For instance, homeless households are now routinely being temporarily re-housed in PRS accommodation where rents outstrip housing benefit rates for temporary accommodation still frozen at 2011 levels.²⁸ With 87% of households struggling to afford temporary accommodation,²⁹ local authorities are having to fund some of the shortfall from their general fund or reserves. In Manchester, where 78.6% of temporarily housed homeless households are in the PRS, the gross cost of PRS accommodation increased by 557% between 2017/18 and 2021/22 (from £2.93m to £19.29m).³⁰

Shelter reports that 75% of households in temporary accommodation live in poor conditions with more than two-thirds having no access to basic facilities.³¹ This reflects the PRS' status as the source of the country's worst housing conditions, with more than 1 in 5 failing



New homes built for social rent in Manchester



1 in 4 private rentals classified as 'nondecent' in Manchester

the current Decent Homes Standard compared to 1 in 7 privately owned and 1 in 10 socially rented homes. In Manchester, the situation is even worse with one in four PRS homes non-decent, equating to 17,565 homes or 43% of the city's non-decent stock.³²

The social rented housing stock is generally in much better condition due to regulation and ongoing investment since the early 2000s, but the sector cannot currently ensure everyone lives in a decent home due to funding shortfalls at a time of increasing regulatory and other investment requirements. PRS landlords are also becoming a prime driver of housing insecurity, instability, and homelessness. In Manchester, since 2011, the proportion of evictions from the PRS has been higher than in other tenures, and has comprised 80% of evictions since 2022. The single largest cause of homelessness is the ending of a PRS tenancy.

The Renters Reform Bill is thus long overdue and offers promise for beginning to address the insecurity of the tenure, if not its unaffordability.

Exclusion and discrimination

The 2021 Census provides clear evidence that single parents, racialised minorities and disabled households continue to be disproportionately impacted by the increasing unaffordability, insecurity and lack of decent housing. Research also shows that those who experience multiple exclusions - including refugees, Gypsies, Roma and Travellers, those with learning disabilities and entrenched rough sleepers - are often inappropriately housed, living in poor-quality PRS or temporary accommodation for lengthy periods, and frequently move between friends, precarious housing and street homelessness.³³

Such Dickensian conditions have led various UN rapporteurs to raise significant concerns in successive monitoring reports since 2013 regarding the UK government being in breach of international law.³⁴

THE RENEWED CASE FOR SOCIAL RENT

The Manchester Social Housing Commission recognises the need for a diverse range of housing tenures and the value of mixed income neighbourhoods. Given adequate welfare support and regulation, different affordable rental and home ownership products can help households who do not qualify for social rent and cannot afford to buy outright, and therefore cannot get a home through other tenures.

However, the Commission's core mission is to significantly increase the availability of sustainable homes for social rent in Manchester and other parts of England. This is because social rented housing plays a unique role in the housing system as the most affordable, secure, and decent tenure, delivered to directly meet social need.

Social housing rents are set in accordance with the Government's rent policy by a formula that is linked to local incomes. This makes rents more affordable and rent increases more predictable than in the PRS. On average, social rents are a third (33%) of private market rents – whereas 'affordable rents' are up to 80% of market rents.³⁵

For most households, social housing is provided on a secure, lifetime tenancy, compared to the standard six month tenancy in the PRS. Social landlords usually evict as a last resort, whereas eviction is far more frequent and tenancies far less secure in the PRS.



Sixty-nine low carbon homes for social rent have now been completed and residents have been welcomed to their new homes on Silk Street in north Manchester. Image credit: Manchester City Council

Increasing the delivery of good quality social rent homes – which includes homes provided by local authorities, associations, cooperatives, and community land trusts – is not only a rights-based imperative, but it also creates economic and social value.

The lack of social rental housing, combined with high rents, inadequate welfare support and low wages, fuels poverty, compounds health inequalities, and drives-up costs in the health and social care sector.³⁶

THE NEED FOR SUSTAINABLE HOMES

Building new social rented housing at scale will significantly address the housing crisis. But these new homes must also address the climate and cost of living crises. The combined housing, cost of living, and climate crises are of particular concern for older people and people with disabilities on low incomes who spend more time in their homes and are thus more vulnerable to extreme cold and extreme heat. The Commission welcomes the Prime Minister's recent announcement on the UK's new target to reduce all greenhouse gas emissions by at least 81% on 1990 levels. Manchester also has made bold moves to declare a Climate Emergency and commit to becoming a zero carbon city by 2038.

Given that existing residential buildings in the UK account for over 30% of energy consumption and a fifth of greenhouse gas emissions,³⁷ rapid and radical action to decarbonise our housing stock is essential. It is also necessary to transition our energy system away from fossil fuels. Retrofitting existing housing will help to reduce energy bills and increase resilience for existing communities. All new build must be zero carbon and include on site renewable energy production wherever possible. Together, these measures will create new jobs and livelihoods as part of the green transition.

This means ensuring that any investment in new homes for social rent is predicated on sustainable planning policy and the requirement for environmental building standards, specifically high energy performance. As the energy system becomes electrified, we also need to reduce demand through adopting a fabric first approach. Maximising building materials' performance will both lower bills and reduce the pressure on generation and the grid. Social housing providers have a key role to play in the development of sustainable construction supply chains to deliver retrofit across other housing tenures and boost our local economies.³⁸

URGENT POLICY RECOMMENDATIONS

Our evidence-based review of the housing crisis in England through the lens of Manchester has made a clear case for a major and rapid increase in the supply of social rented housing that is also ecologically sustainable. While the Commission is continuing to research potential funding and delivery models to support this aim, we have identified five major and urgent changes in national policy direction that are essential to make this happen.

1. Reinvest in Social Rent

The government's ambitious target of building 1.5 million homes over the next parliament is not achievable within the current market-based supply model. England has only ever managed to build at such levels when local authorities were also building 100,000s of homes per year during the 1960s. Scaling up housing supply, therefore, requires scaling up public investment in ecologically sustainable social rented housing.

The prioritisation of social rent for the remainder of the existing Affordable Homes Programme and the Budget's £500 million top-up is a welcome first step, but a drop in the ocean compared to the estimated £11.8bn investment required to support the delivery of 90,000 social rented homes a year.³⁹

We urge government to:

- Restore the pre-2010 social housing grant regime and provide a generous long-term funding and rent settlement for social housing providers.
- Allow local authorities greater access to cheaper borrowing through the Public Works Loan Board.
- Enable cities like Manchester to deliver large scale housing growth of all tenures on brownfield locations by supporting land supply, site assembly and remediation.
- Tie any public investment to delivering zero carbon standards.
- Scrap the benefit cap and bedroom tax and unfreeze and uprate housing benefit rates for temporary accommodation to prevent homelessness and create more stable rental streams to help boost social landlords' investment plans in existing and new stock.

2. Reform Planning to Prioritise Sustainable Social Rent in Affordable Housing Delivery

More public investment and longer-term certainty of revenue streams for social housing providers will not lead to a major increase in sustainable social rented housing delivery unless the planning system in England is also reformed to a) promote and require a higher percentage of social rent in new housing developments, and b) require that new homes are fit for the future and can withstand climate change. Efforts to ensure that all new homes are zero carbon face considerable policy barriers with the mandatory Future Homes Standard repeatedly delayed and criticised for not going far enough. 40 Meanwhile, attempts by local authorities to use their own planning powers to require better energy performance standards are being discouraged by existing policy.

We urge government to:

- Amend the definition of 'Affordable Housing for Rent' in planning policy to clearly distinguish between Social Rent and other forms of affordable rent and define these in relation to incomes.
- Introduce tougher targets and minimum requirements for social rent in all developments based on local housing needs assessments that factor in homelessness and the need for social rent.
- Reform the viability percentages in the planning practice guidance so that developers cannot unfairly opt-out of making contributions for homes for social rent.
- Allow local plans to go beyond building regulations in requiring better energy standards and ecological design so that.

social homes are affordable for low-income households such as setting targets for energy-based metrics.⁴¹

3. Rethink the Right to Buy

The RTB is the largest contributor to the loss of social housing with over 2 million social homes sold and only 2% replaced, and research has shown that councils are unable to build for fear of new homes being sold. 42 We therefore welcome the government's plan to reduce RTB discounts back to their pre-2012 levels, and to allow councils to retain and more flexibly use 100% of the capital receipts. However, we note research commissioned by Shelter earlier in 2024, which showed that completely suspending RTB for all new and existing social homes would save an estimated 10,000 council-owned homes per year, while continuing RTB but allowing councils to use 100% of the sales receipts to replace the social home would only save 1,000 social homes a year.⁴³ While smaller discounts will change this analysis, the long waiting lists and high numbers of households in temporary accommodation mean we cannot afford to lose social rented homes in Manchester at this time.

We urge government to:

- Suspend the RTB/Right to Acquire for existing and new tenants with immediate effect and consider abolishing it outright.
- Look at alternative policy solutions that can support lower income households into home ownership beyond the current shared ownership provision and ensure those homes remain affordable in perpetuity.

4. Retrofit Empty Homes for Sustainable Social Rent

While new supply dominates the policy focus, we must not forget the large number of longterm empty homes that could be brought back into use as social rented housing and retrofitted to high energy standards. Across England there are 261,474 homes that have been empty for six months or longer (Oct 2023), of which 1875 are in Manchester.⁴⁴ Retrofitting these homes back into use as social rent will both help to tackle the human and financial costs of lengthening waiting lists and the temporary accommodation crisis, and will directly address the cost of living crisis through lowering household bills.⁴⁵ However, there are currently major legal and financial barriers in the way.

We urge government to:

- Implement Shelter's 10-city plan⁴⁶ to rapidly convert empty homes into social rent homes, which includes a mix of targeted grant funding, stronger Compulsory Purchase powers, tougher and mandatory council tax premiums, and ring fencing all second home and empty home premiums for acquiring empty homes.
- Abolish VAT on refurbishment to incentivise green retrofitting and refurbishment of existing stock.

5. Embed Community Voice andOwnership into the Planning System

Communities and their locally elected representatives should have stronger statutory powers within the planning system

to properly shape the investment decisions that are made about their own neighbourhoods, towns and cities to ensure local development is more equitable, democratic and reflects the needs of present and future generations.

We urge government to:

- Implement New Local's recommendations that models such as neighbourhood planning and community-led development are written into local and national policy and given longer-term funding certainty alongside the Affordable Homes Programme.
- Revise the National Planning Policy
 Framework to require deeper community involvement across the development process, including a presumption in favour of consent for community-led schemes.
- Use forthcoming English Devolution legislation as an opportunity to improve community power and participation in planning and regeneration.

THE RETURN ON THIS INVESTMENT

There is a clear return on the investment we are calling for. Research commissioned by Shelter and the National Housing Federation earlier this year found that building 90,000 social rented homes a year would pay for itself in three years and add £51.2bn in benefits to the economy over the next 30 years through savings on welfare support from lower rents and temporary accommodation costs, income from construction and employment taxes, and savings to the NHS from healthier residents.⁴⁷ These savings will be even greater once the positive effects of better insulated homes are factored in.

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The Manchester Social Housing Commission is convened by a coalition of voluntary and community sector organisations called Social Homes for Manchester. Coalition steering group members provide the Secretariat for the Commission and provide support to ensure meaningful and substantive community participation in the process.



Enquiries about the Commission can be directed to sophie.king@class-uk.com

Please also see the below webpage for further information:

www.socialhomes4mcr.org.uk/commission

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