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Local Investment Plan for Housing

2011-2015

Cheshire and Warrington



Homes &
Communities
Agency



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This document is a draft being made available for consultation with stakeholders, prior to submission for approval through the partners' organisations. It therefore has no formal status at this stage and is subject to change. We will be pleased to receive your ideas and suggestions, which should be sent to one of the contacts above **by Friday 22nd July 2011.**

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Preface

This Local Investment Plan (LIP) has been produced at a time of significant economic and social change. The Coalition Government is seeking to promote a rebalancing of the national economy both spatially and by sector, with an emphasis on promoting sustainable economic growth and employment in the North of England. These ambitions for growth are shared by the Cheshire and Warrington sub-region, where projected economic change coexists with social and demographic trends, which will reshape housing demand over the next two decades. In addition to the huge potential to secure investment and growth within the sub-region, there are a number of areas of need and deprivation which will require public sector support to fulfil their long-term potential. Delivering a strong local growth agenda and reshaping the provision of housing in Cheshire and Warrington is a long-term task, made even more challenging by the constraints on public expenditure necessitated by the national fiscal crisis. The LIP responds to these challenges through the development of a sub-regional framework and an associated set of actions, which seeks to develop new models of delivery and finance which can stretch the available public sector finance and assets and harness private finance to produce accessible homes, sustainable development and vibrant communities.

The economic rationale for a continued focus on housing quality and supply in the sub-region is very powerful. Over the past two decades, the Cheshire and Warrington sub-region has been one of the most attractive places to invest in the north of England and is currently one of the top ten performing economies in the UK. Employment levels are generally well above the regional and national averages and the levels of GVA produced by the local economy are more similar to the south of England than the north. The exception to this is the South of the Greater Manchester area which adjoins the Cheshire and Warrington sub-region, producing an agglomeration of vibrant economic forces on a scale whose only equivalent in the north of England is the Leeds/North Yorkshire area.

This economic vibrancy is not fully supported by the housing offer. Evidence highlighted in this document shows how the ageing population, high structure of house prices and inadequate new supply combine to produce significant barriers to the retention or attraction of the younger and skilled labour needed to service the growing economy. Increasing the quality and quantity of housing supply is therefore one of the key building blocks for a sub-region which has an ambitious growth strategy. The sub-regional economy has the capacity to kick-start not only the local business environment, but to generate employment development across the region and beyond. By 2030, Cheshire and Warrington has the potential to produce an annual GVA of some £30 billion per year, increase its population by 100,000 or more (to a total population of around 1 million) and increase employment levels by at least 22,000.

The sustained economic growth which Cheshire and Warrington can demonstrably generate will have to be supported by a range of different types of physical infrastructure, such as

roads and rail access, affordable housing, new schools and associated community facilities. The aim of the sub-regional partnership is not just to develop a more prosperous locality but to also locate that prosperity within cohesive communities. The sub-region is characterised by diversity between rural and urban areas and between neighbourhoods, which are segmented by income, some of which are in the most disadvantaged 10% in England. This LIP responds to diversity in a number of ways. Proposals are developed to: increase housing supply to support the economy; to support more vulnerable neighbourhoods through the Place Shaping agenda; and to meet the needs of a changing demographic base, while ensuring that the most vulnerable individuals receive appropriate care and support.

In 2010, the Local Authorities and the Homes and Communities Agency (HCA), in consultation with Registered Providers, developed the first LIP for the sub-region, which set out our vision to deliver housing growth to meet the economic aspirations of the newly formed Local Enterprise Partnership (LEP) and detailed our specific investment priorities for affordable homes in the short-term.

This second LIP builds on the spatial and thematic priorities outlined in the original document, while responding to the radical changes in the policy and financial environment for housing which have emerged over the last twelve months. Our priority continues to be the need to stimulate a growth in supply but in order to facilitate this growth, it is necessary to provide a new framework which will utilise innovative delivery and financial models to achieve our objectives.

The LIP has, as before, been developed by the three Local Authorities and the HCA, in consultation with the Cheshire and Warrington Housing Alliance, the LEP and other stakeholders. A LIP Framework document was produced in March 2011 to assist Registered Providers and the HCA in bidding for the 2011-15 Affordable Housing Programme. This document was used by Registered Providers and the HCA followed its strategic and spatial direction for new affordable homes across the sub-region when devising the programme for 2011-2015.

The next sections of this document set out the Plan objectives and the new framework for housing intervention, which is being developed at the sub-regional level. This is followed by summaries of the baseline housing position and the dynamics of change, which the plan seeks to respond to and influence. The final sections develop the set of actions, which will drive the development and delivery of a new way of working over the duration of the planning period 2011-2015.

1 Aims and Objectives

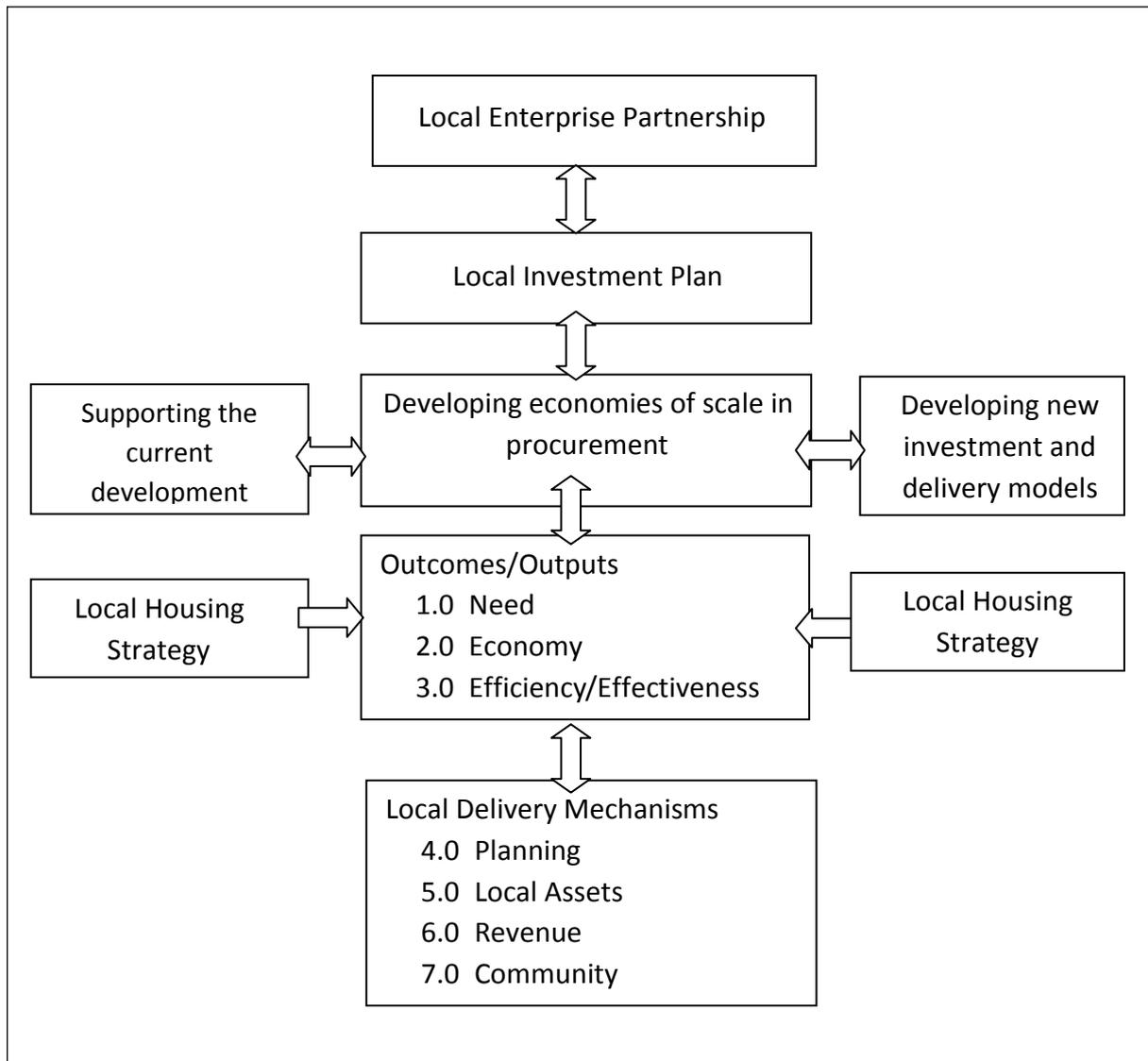
1.1 The local investment planning process develops a new way of working, both locally and sub-regionally, which reflects the new financial and policy environment that has been emerging since the economic recession of 2008/09 and the subsequent fiscal crisis which is being addressed over the course of this Parliament. The LIP also reflects the changes in thinking within Government and the civil service following the Sub National Review of Economic Development and Regeneration, published in 2007. The product of these debates has been to refocus scarce public sector resources upon programmes that reinforce economic growth and address need through developing mechanisms, which link employment growth with private and public sector investment. Housing policy is being reorientated to support economic development which, as an activity, is also being reorganised at a sub-regional level through the creation of LEPs. The Cheshire and Warrington LEP will seek to foster and further develop agglomeration effects in successful employment sectors, which the Treasury and the Department for Business, Innovation and Skills (BIS) see as essential to rebalance the national economy in coming years.

1.2 The LIP represents a new policy innovation, linking strategic thinking with policy development and more entrepreneurial approaches to investment, across a geography which reflects housing and labour market areas. This is an ambitious approach which requires governance and partnership arrangements based on joint objectives, a clear strategic vision and a mature approach to risk sharing and resource distribution. In Cheshire and Warrington, the LIP will be operationalised through an interactive top-down and bottom-up approach, which will reflect the complex social and economic geography of the sub-region. This process is shown in Figure 1.1 and is explained in more detail below.

The relationship between the LIP and the LEP

1.3 In Cheshire and Warrington, research has demonstrated that there is a clear relationship between the growth of the economy and the need for an expanded and more diverse housing supply. This need is compounded by the ageing population, which requires a new enhanced housing supply to encourage an inflow of younger, economically active workers into the sub-region. Nationally, the links between housing policy and economic policy have not been well developed and the creation of the LIP and LEP, operating under the same area boundaries, brings the opportunity for policy integration and for public and private sectors to work together to support growth and meet needs. These linkages will also provide a mechanism to involve major employers in identifying the housing blockages to economic growth and to provide solutions involving local authorities, housing agencies and the HCA.

Figure 1.1 The LIP Framework



The Housing Rationale for the LIP

1.4 Although the link between housing and the economy forms an important rationale for investing in sub-regional working, there are also a number of key strategic and operational issues which can be addressed through this new method of working:

- *Supporting the current housing development model* - The decade prior to the financial crisis of 2007 was characterised by sharp house price increases but increasing inelasticity in housing supply. Despite increasing values, the supply of new dwellings was lower than in the previous decade. The market imperfections which led to this situation have been compounded by the legacy of the 2007 financial crash with restrictions on mortgages and an increased aversion to risk by institutions and developers. A key task for the LIP will be to develop approaches and interventions which address market imperfections in order to increase housing supply and access

to accommodation for residents. Interventions can address: imperfections in knowledge which may be deterring investors; transport improvements which will bring forward supply; measures which unlock land supply; subsidy for economically marginal developments; new opportunities for affordable renting; and financial assistance for first-time buyers.

- *Developing Economies of Scale in Procurement* - Given the drive to reduce public sector expenditure nationally and to achieve greater efficiency, cooperation at the LIP level, through shared procurement, can provide economies of scale leading to a greater level of outputs from a given level of inputs. Examples of this could include the commissioning of affordable housing, research and intelligence, development costs for large joint ventures and shared services.
- *Developing new models to secure housing supply* - Recognising that the current model of producing both affordable and market housing has failed to deliver the necessary quantity of supply in recent years, the LIP provides a framework to develop new approaches, for example, through the encouragement of institutional finance to develop market renting and exploring new public/private sector partnerships to develop land and property.

Outcomes and outputs

1.5 The outcomes and outputs derived from the LIP will need to be delivered over time from the development of a joint business planning exercise, which is informed by each of the Local Authorities' local housing and planning objectives, as well as the requirement to support the LEP at the sub-regional level to achieve economic growth. A LIP does not replace a local housing strategy, instead it provides a mechanism to enhance local and sub-regional outputs and outcomes. Therefore, each Local Authority will need to apportion local resources and assets to local issues, as well as to sub-regional projects and programmes, which deliver enhanced local benefits and address housing need.

Developing the new approach

1.6 This new approach to housing investment and policy development marks a seismic change in the way in which business is done. Given this radical shift, it is appropriate to develop the way forward incrementally, potentially over the duration of the Comprehensive Spending Review (CSR) which finishes in March 2015. The sub-region is already working with the HCA and local Registered Providers to develop a new four year programme of affordable housing construction using the new affordable rent model. Discussions are ongoing with local Registered Providers to develop a Cheshire and Warrington Consortium to deliver the programme. A new programme of activity and a delivery plan are being designed to support this new framework.

1.7 This LIP has been informed by a series of research projects which have explored housing market change in Cheshire and Warrington and the relationship between housing and local economic and employment growth¹. The context within which the local housing market operates and the dynamics of change which this plan responds to are set out in the next section.

1.8 The first LIP, produced in 2010, provided the foundations for sub-regional working and development and, in the intervening period, substantial progress has been made in taking the housing agenda forward. The governance framework for the LIP has continued to evolve and whilst each Local Authority has its own Executive/Cabinet decision making body, the Local Authorities are committed to working closely at a sub-regional level. This is undertaken through a Sub-Regional Management Team of the Local Authority Chief Executives and a Sub-Regional Leadership Board. The Leadership Board includes the Leaders of each of the Councils and membership includes representation from other key public sector organisations, including Cheshire Police, Cheshire Fire Authority, the health service and the Cheshire and Warrington LEP.

1.9 In addition to strengthening governance arrangements and developing a framework to bid for and deliver affordable housing, the sub-region is also designing a programme of collaborative work to develop innovative new ways of funding and delivering housing supply. These new approaches and policy tools are highlighted at the end of this document and illustrate how fast housing investment and policy frameworks are evolving to meet the new environment which has emerged following the General Election in 2010.

¹ *'Changing Places: Housing and the new Local Economic Partnership in Cheshire West and Chester, Cheshire East and Warrington'*. Nevin Leather Associates, August 2010.
'Housing market change and the public policy framework: Issues and challenges in 2010. Update following the Comprehensive Spending Review'. Nevin Leather Associates, November 2010.

2 Cheshire and Warrington in Context

The sub-region

2.1 Cheshire and Warrington form a successful, growing and attractive sub-region with a GVA of around £20 billion per annum and one of the highest levels of GVA per capita in the North of England. Cheshire and Warrington's position, adjacent to and between the two main conurbations in the North West, with strong links to North Wales and adjacent areas in the West Midlands such as the North Staffordshire conurbation, is one of the keys to its success (Figure 2.1). With a combined population of 887,000 (565,000 people of working age and 486,000 jobs based in the sub-region), it plays a vital part in the economy of the North West both in its own right, as a source of employment to people in surrounding areas (75% of economically active people both live and work in the sub-region), and as a provider of quality housing and highly qualified and skilled labour to the two adjacent conurbations of Greater Manchester and Liverpool. The sub-region is well connected to neighbouring areas as well as to the rest of the UK and abroad by the motorway and major road network, the West Coast Main Line and easy access to two international airports on its boundary.

2.2 Another key factor is the attractive and diverse environment that attracts people and businesses and which strong planning policies seek to protect. As well as the historic City of Chester with its unique tourism, retail offer and strong financial services sector, the sub-region contains the rapidly growing towns of Warrington and Crewe, the manufacturing centre of Ellesmere Port, the market towns of the Weaver Vale and a network of smaller towns and villages. Three large unitary authorities provide strong civic leadership and high quality public services to support the private sector.

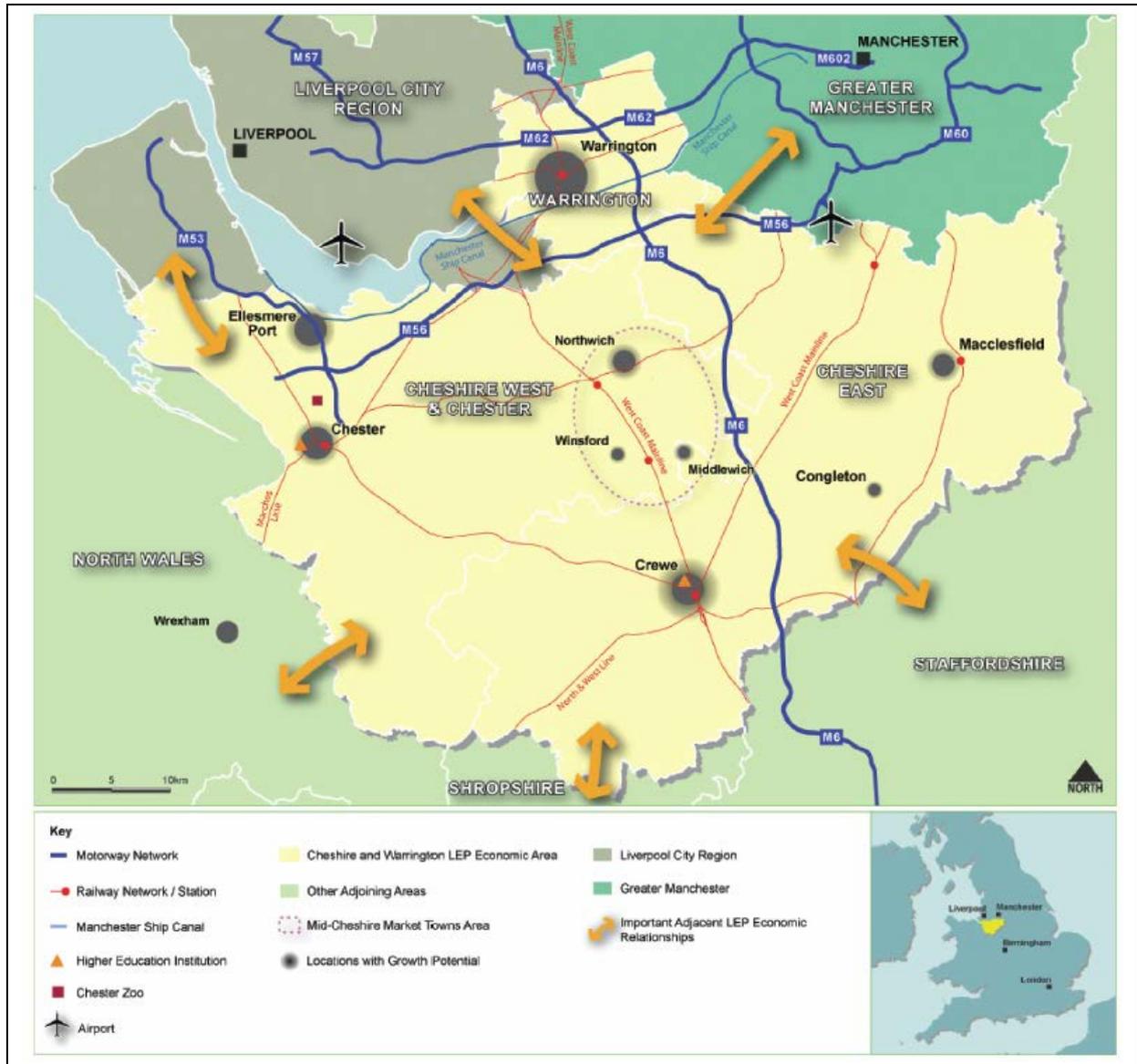
2.3 The continuing growth and prosperity of the sub-region is crucial to the North West and to parts of Wales and the Midlands. The LEP has ambitious plans over the next two decades to increase GVA to £30 billion, create 22,000 new jobs and attract 100,000 people to the sub-region by providing for 70,000 new homes.

2.4 The region's past success contributes to its current problems and makes housing one of the key areas where action is required to support and protect future growth. The attractive and varied environment, strong indigenous economic growth and the pressure of demand from people working in surrounding areas have combined to keep house prices high, creating a shortage of affordable housing to retain young people and to provide for those moving in to take up jobs. The steady ageing of the existing population is compounding the shortfall.

2.5 Despite its overall economic success, Cheshire and Warrington is a diverse area with some disparities in economic productivity, levels of connectivity and levels of wealth and deprivation. As well as supporting overall economic growth, there are also challenges in

ensuring that the benefits of this growth are spread widely to secure the regeneration of those parts of the sub-region where significant needs remain.

Figure 2.1 The Cheshire and Warrington sub-region in context



Source: Cheshire and Warrington LEP prospectus

Economy

2.6 The Cheshire and Warrington sub-region has a strong diverse economic base. It has higher rates of economic activity, employment and self-employment than the North West or Great Britain as a whole. There are much higher proportions of managers and professionals in the workforce than at regional or national level and more people have NVQ qualifications, especially at the higher levels. There are fewer people on out-of-work benefits at all age levels and fewer long-term benefit recipients. There is a very strong concentration of people working in finance, IT and other business services (over 25% of all employment) and the

distribution, hotel and restaurant sectors are over-represented, along with tourism. The sub-region's strengths in advanced manufacturing are focussed strongly in the former Ellesmere Port area. There is a significantly lower level of employment in public administration and health than either the regional or national average, making the sub-region less vulnerable to current reductions in public spending than many others in the North. The majority of employment growth in the sub-region since 1995 has been in private sector employment, unlike the North West as a whole, where public sector jobs growth has been more significant.

Demography, migration and travel to work

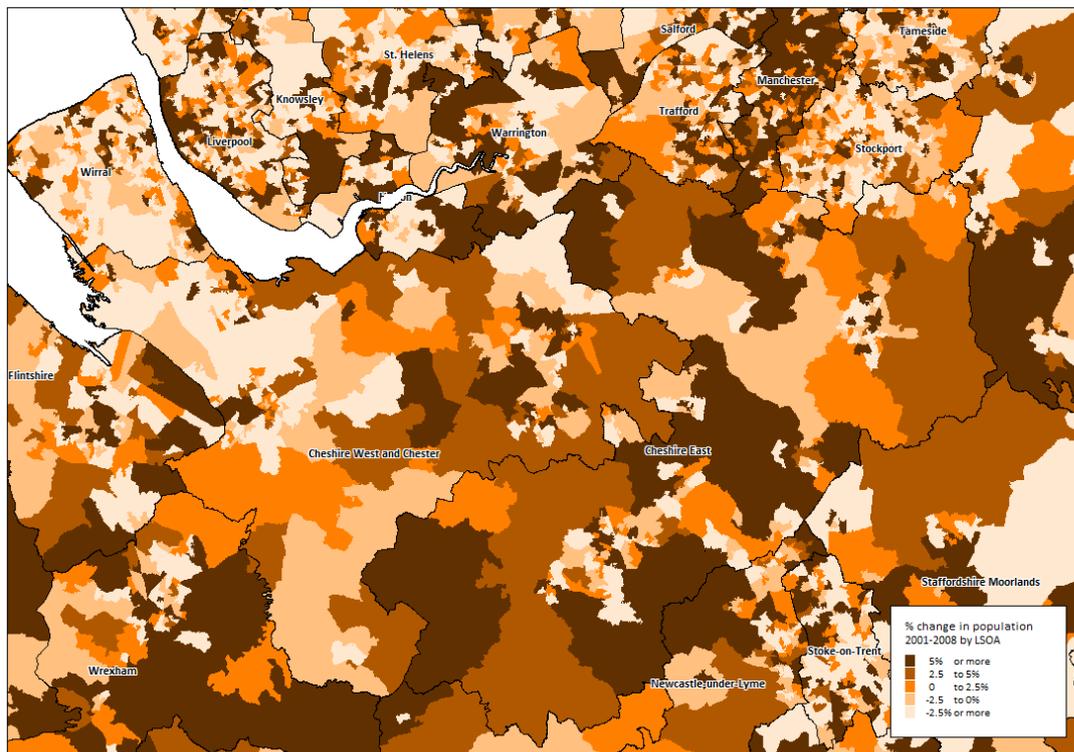
2.7 Cheshire and Warrington have experienced significant population growth in the last three decades, reflecting both the strong economy and attractiveness to people commuting to Greater Manchester and Merseyside. The North West returned to growth after 2001 but the sub-regional rate remains ahead of the region in population growth terms.

2.8 There are major differences in growth rates within the sub-region (Figure 2.2) with Warrington having a much higher growth rate than Cheshire as a result of planned employment and housing provision. In Cheshire East, the former boroughs of Crewe and Nantwich and Congleton have driven growth rather than Macclesfield, where planning constraints are tight. In Cheshire West and Chester, Vale Royal has been the main area to experience population growth. Much of the population growth associated with Chester's economic success has occurred in North Wales, again because of tight planning constraints and the strong migration and commuting links between North Wales and Chester. Hence the main area of population (but not employment) growth in recent years has been in the central part of the sub-region rather than on its eastern or western sides.

2.9 For the sub-region as a whole, migration has accounted for the majority of growth since 1991, reflecting the strong economy. The sub-region is not strongly self-contained in migration terms and given its size and position relative to the Manchester and Liverpool City Region cores, it would be surprising if it were. Increases in the numbers of people in their thirties and in middle-aged and older age groups, are mainly responsible for the increases in population in Cheshire and Warrington, with many moving from Merseyside and Greater Manchester.

2.10 Chester and Warrington, as the most substantial economic centres in the sub-region, are the least self-contained areas, especially Chester. More than four out of five people living in Vale Royal, Congleton and the former borough of Crewe and Nantwich work within the sub-region, whereas in Macclesfield and Chester less than 60% do so. This confirms the links between Chester and North Wales and between Ellesmere Port and Chester. Understanding the processes of migration and commuting and their impact on the sub-region is essential to understanding housing market change.

Figure 2.2 Population change in the sub-region 2001-2008



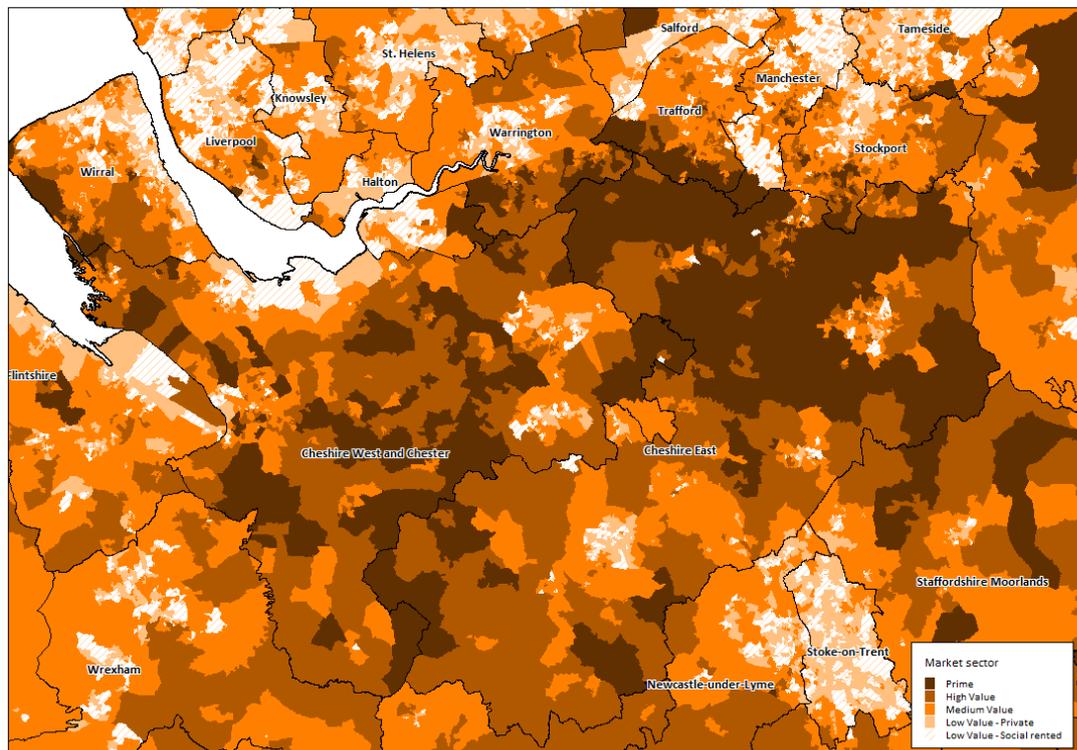
Source: Office for National Statistics (ONS)

Housing

2.11 Housing markets in the sub-region have been affected, like other areas, by the crisis in world financial markets and its impact on credit, subsequently followed by the deep economic recession in the UK and the measures taken by government to deal with these problems. Overall, house prices in the sub-region are relatively high (Figure 2.3), especially in comparison to the M62 corridor area to the north. Remarkably, the sub-region contains almost 50% of the North West's prime market, high value, housing stock.

2.12 However the distribution of these dwellings is uneven, with the highest value areas mainly in the east, serving the south of the Manchester City Region. A second area in the west performs the same function for the Liverpool City Region and the employment centres of Chester and Ellesmere Port. Low value sectors make up about one third of dwellings in the sub-region, a much lower proportion than for the region as a whole. Low value dwellings are concentrated in Warrington, Ellesmere Port, Northwich, Middlewich, Winsford and Crewe but also in small parts of Chester and Macclesfield. Within the low value areas in the sub-region, low turnover/high social renting areas account for slightly more than half of all lower value dwellings in the sub-region. As a result, the supply of lower value market property in the sub-region is, in reality, much lower than suggested by aggregate dwelling numbers.

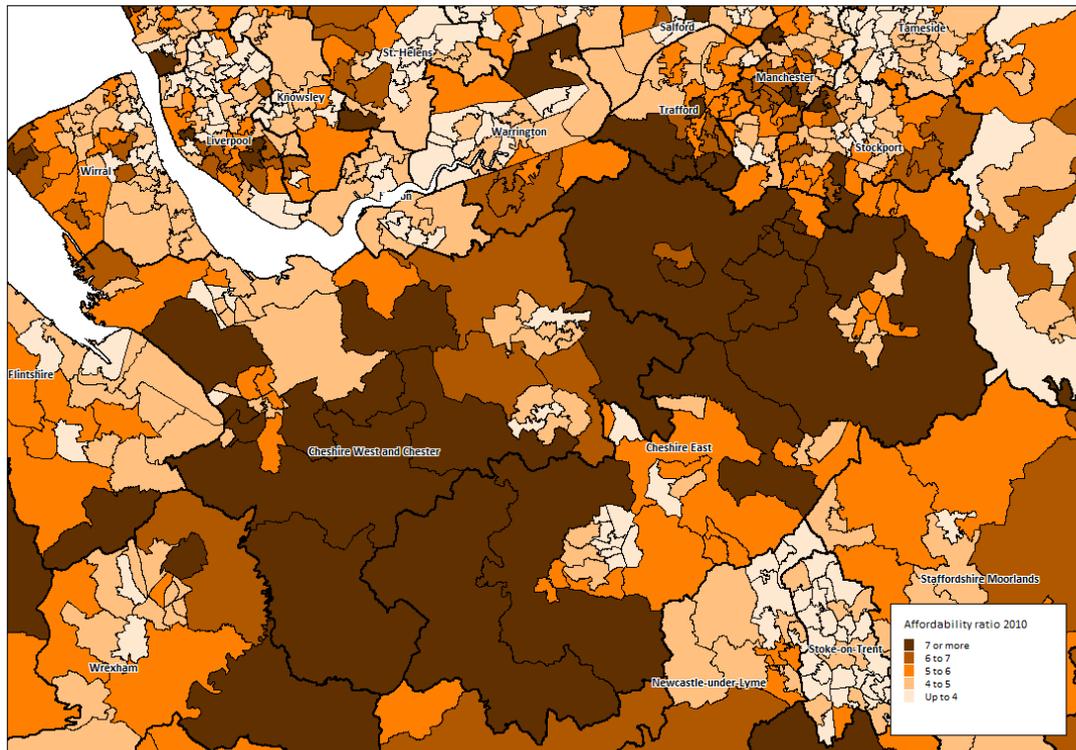
Figure 2.3 Market sectors in the Cheshire and Warrington sub-region



Source: HM Land Registry data 1996-2006

2.13 The credit crunch and the economic recession produced a fall in prices from 2007-2008, a subsequent partial recovery and then a long period of market weakness from 2009-2011, with prices remaining fairly static (Figure 2.4). However, the fall in transaction levels in the housing market has been more significant than the fall in house prices, with transactions running at around 50% of long-term trend levels. The severe slowdown in the market has had impacts on the house building industry, those sectors of the economy associated with new housing and house moving (such as the furnishing sector) and the private rented sector, which has enjoyed a boost in supply from 'involuntary' landlords unable to sell and a boost in demand from those unable to obtain a mortgage.

Figure 2.5 Affordability



Sources: HM Land Registry, ONS Modelled income estimates

2.15 The sub-region has a relatively low proportion of first-time buyers because of the high level of average prices and the shortage of supply of good quality/attractive lower value properties. However, a high proportion of first-time buyers in the sub-region borrow more than 90% of the purchase price and in Macclesfield and the rural areas, they take out relatively high loans in relation to incomes. This means that a large pool of recent buyers in the sub-region are at risk of mortgage difficulties or negative equity if interest rates rise, economic circumstances worsen or prices fall further.

2.16 Given the severe affordability problems outlined in previous paragraphs, social rented housing is a valuable resource in the sub-region but one which is not evenly distributed. In Ellesmere Port and north Warrington there are still high proportions of social rented housing but elsewhere, the level of supply is limited. The housing register data shows a high and rising level of demand.

2.17 The North West region has been one of the most badly affected by the cutback in the supply of new housing as a result of the recession and the credit crunch and this reduction has affected the Cheshire and Warrington sub-region. Net housing supply figures were above average annual household growth rate from 2004-2006 but since then, have been well below the projected average. This is a matter for major concern given the importance of household growth in supporting economic growth.

3 Changing Places: understanding the dynamics of change in Cheshire and Warrington

The economy

3.1 Over the past two decades, the Cheshire and Warrington sub-region has been one of the most economically successful parts of the UK. A prosperous economy based on a highly skilled population, a range of high-productivity and technologically advanced businesses in key sectors, strong links to regional, national and international markets, an attractive natural environment and high quality of services and amenities, have made the sub-region a place where people want to live.

3.2 The vision of the Cheshire and Warrington LEP, established in 2010, is 'to make Cheshire and Warrington quite simply the best place to do business in the UK. We will provide the ideal environment for businesses to grow: access to the right skills; supportive and efficient public services; effective infrastructure and utilities; and a beautiful part of the country for people to enjoy.'²

3.3 However, the strengths of the sub-region are countered by some problems which the LEP and other policies seek to address. In the early 2000s, there were signs of a slowing of economic growth and employment in some parts of the sub-region, as a result of over-dependence on slow-growing or declining industry sectors. Responding to this will require a focus on the expansion of sectors with real growth potential, such as digital and creative industries, business and professional services, leisure and tourism, biomedical manufacturing and services, advanced manufacturing and energy and environmental technologies.

Demographic change and housing supply

3.4 Past population and household growth is reflected in the current demographic and household projections for the sub-region (Table 3.1), which show overall growth rates in excess of those for the region and exceptionally high rates in Warrington and the former Crewe and Nantwich and Vale Royal areas. These are essentially trend-based projections and the sub-region's aspirations are more ambitious. The LEP prospectus has plans to create 22,000 additional jobs by 2030 and to generate population growth of 100,000, with housing for 70,000 additional households.

3.5 As we have already shown, there is a shortfall in overall house building rates compared to the requirements generated by the sub-regional economy. Building rates were too low even before the fall in supply brought about by the credit crunch and the

² See *Cheshire and Warrington means business: A Prospectus for a Cheshire and Warrington Local Enterprise Partnership*, September 2010 available at http://www.cwea.org.uk/sites/cwea.org.uk/files/1958FD_CWEP_Prospectus_Final_3_Sep_10.pdf.

subsequent weakness in housing markets across the country. When these national problems are addressed and confidence returns, it will be essential to ensure that planning policies are in place to ensure that the sub-region can respond quickly and fully to demand.

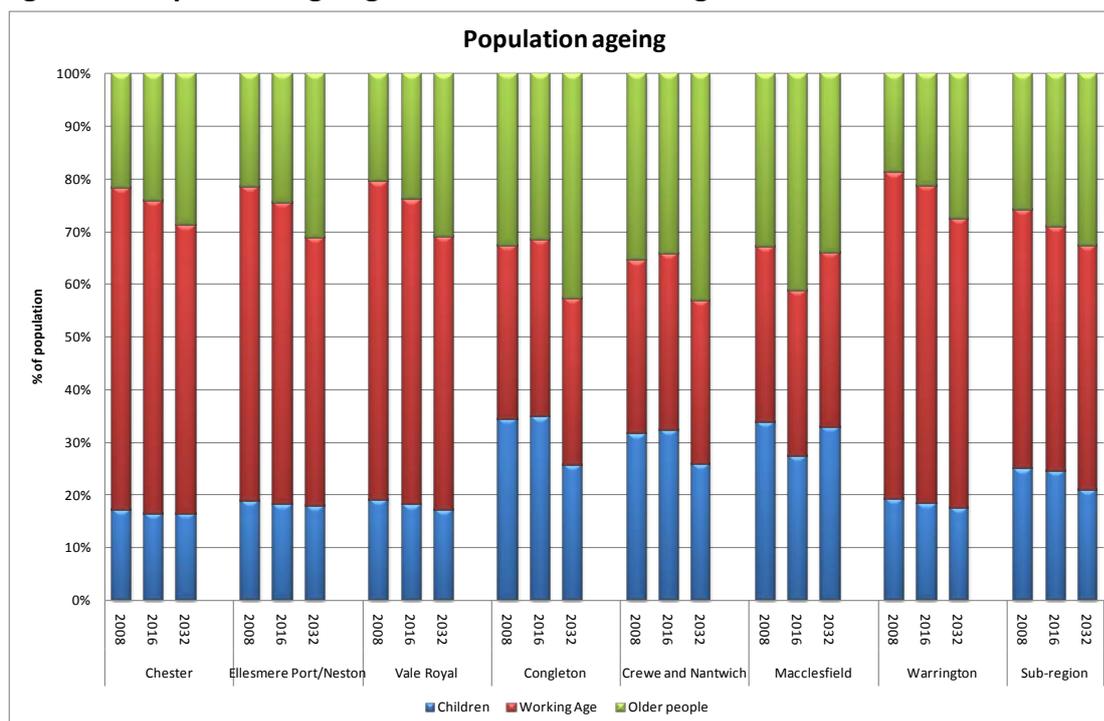
Table 3.1 Projected population and household change in Cheshire and Warrington

	2009	2030	Change 2009-2030	
		Number		Percentage
Population	887,100	962,800	75,300	8.5
Households	377,000	441,000	64,000	16.9
Population aged 65 or more	158,100	248,000	89,900	56.9
Working age population	565,500	549,200	-16,300	-2.9

Source: ONS 2008-based sub national population projections, CLG 2008-based household projections

3.6 There is a further potential shortfall in labour supply brought about by the ageing of the existing population and a reduction in the working age population (Figure 3.1), which means that more housing will be required simply to stand still in labour supply terms. Tackling this will require the retention of more young people and the attraction of additional in-migrants of working age. Given the growing importance of the University of Chester, the wide range of employment opportunities in the sub-region, the attractive environment and the wide range of additional employment opportunities nearby, high house prices and the shortage of affordable housing are the main issues which need to be addressed to tackle the problem of population ageing. A clear priority in the sub-region is therefore **to increase housing supply where it is needed to support economic growth.**

Figure 3.1 Population ageing in Cheshire and Warrington



Source: ONS 2008-based sub-national population projections

Housing affordability

3.7 The shortfall in supply has contributed to severe affordability problems in the sub-region. Although average incomes are higher than those in the core of the conurbations, the sub-region has the largest concentration of high house prices in the North of England and a limited supply of affordable property to buy or rent. Much of the affordable supply is concentrated in Warrington, Ellesmere Port and Crewe. Macclesfield and Chester have very small proportions of low value dwellings. Affordability problems are experienced by many working households as well as those without earners. The lower quartile house price in Cheshire at the end of 2010 was £122,500. To obtain and sustain a mortgage to buy at this threshold, a first-time buyer household would need a deposit of £32,000 and an income of £34,400 per annum, under typical current lender requirements. Only 43% of households in the sub-region (including existing established households) had an income at or above this level in 2010. For newly forming households, only 33% had a sufficient income and for those on housing waiting lists, only 9% could afford the lower quartile price, even assuming that these households could put forward a £32,000 deposit.

3.8 This demonstrates the seriousness of affordability problems in the sub-region and the extent to which they penetrate well up the household income scale. The problems are compounded in many parts of the sub-region by a relatively limited supply of social rented housing. The private rented sector is increasingly playing a part in providing housing for some of those who cannot afford to buy and this role will grow in importance in the future. Rent levels are typically much higher in the private rented sector than in social rented

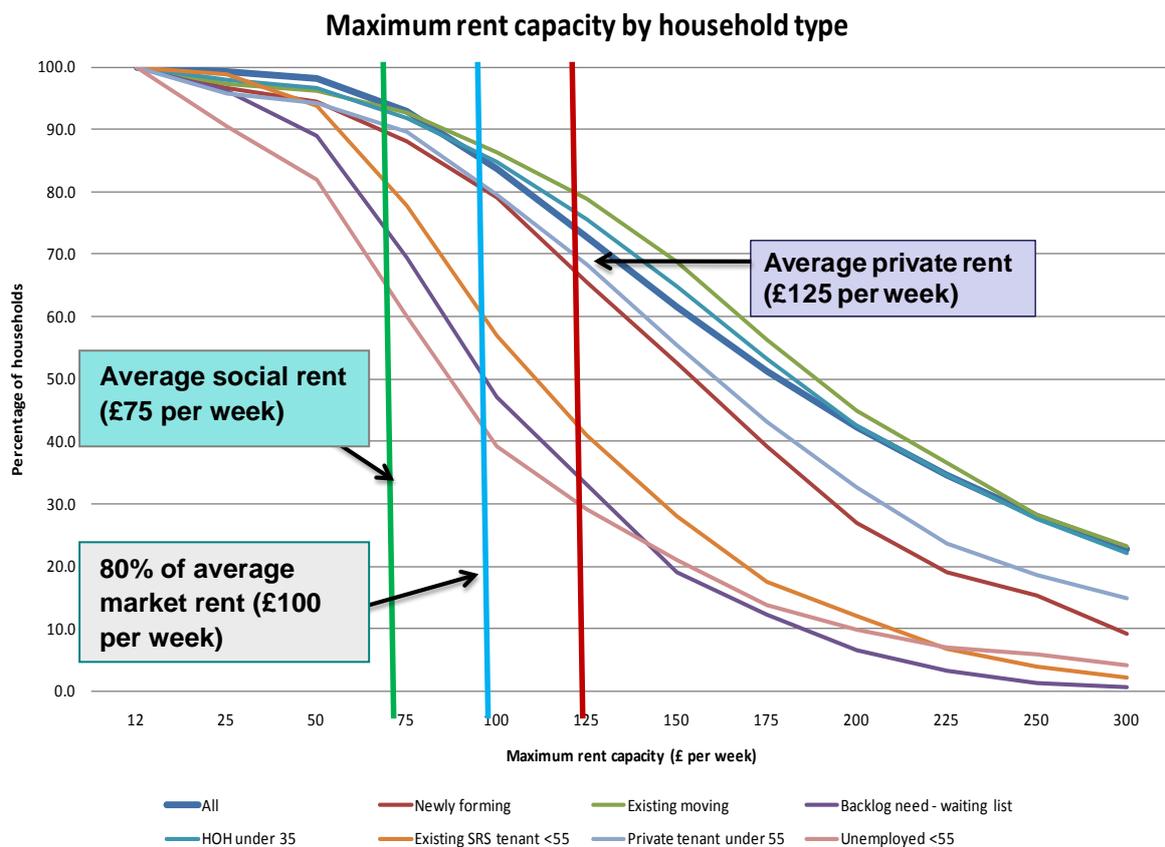
housing but around a third of households in the private rented sector in the sub-region, receive assistance with rents through local housing allowance.

3.9 There are major problems to be overcome. Firstly, most new or additional private rented housing supply comes from the existing housing stock and does not add to overall housing supply. New landlords are often in competition with first-time buyers. Secondly, private investors reliant on loan finance to add to their portfolios, are currently under similar constraints to those facing first-time buyers because of the shortage or inaccessibility of credit. Nationally, increased attention is being given to the development of models to allow a range of institutions to invest in the provision of housing to rent as this would create additional supply on a significant scale and, if arrangements were effective, ensure professional management standards and create a major contribution to affordable housing supply. The development of new private rented housing supply on a large scale is regarded as a priority across the sub-region.

3.10 Most landlords have relatively small portfolios and the private rented sector is thus in the hands of a large number of individuals or small companies. To secure higher standards of management and maintenance and to maximise the contribution of the private rented sector, there is a need to provide practical support to landlords through measures such as the expansion of the existing Cheshire Landlord Accreditation Scheme, landlord forums and other mechanisms. The role of the private rented sector in supporting economic growth by providing accessible and affordable housing for those moving into the area, is also important and the provision of help and support to small landlords will further this role.

3.11 The evidence on house purchase and rental costs also suggests that there is a significant requirement in Cheshire and Warrington for affordable supply by Registered Providers at rent levels above those currently charged for mainstream social rented housing but below levels at which it becomes more attractive to potential tenants to buy. Figure 3.2 shows the proportion of all households and a range of other household types able to meet three threshold rent levels: the average social rent, the average private rent and a rent level set at 80% of the average market rent. Just under 90% of households could afford 80% of the average private rent in the sub-region (approximately £100 per week). The proportions of people in households with a head aged under 35, in newly forming households (of all ages) and in existing households moving in the last year, were relatively high (70% or more), suggesting considerable potential amongst this group for rents at this level. At the other end of the spectrum, only 40% of unemployed people aged under 55 could afford a rent at this level, even with the assistance of local housing allowance and only about 50% of people in households containing a person on a register for social rented housing, could afford the 80% threshold rent.

Figure 3.2 Cheshire and Warrington: maximum rent capacity by household type



Sources: Survey of English Housing, CLG Live Tables, Cheshire West and Chester Council

3.12 This suggests that there is only limited scope for the groups traditionally housed in the social rented sector to afford higher rents, but considerably more scope for younger employed households to do so.

The needs of particular groups

3.13 A range of specific groups with priority needs remain a priority across the sub-region. Figure 3.1 demonstrates the projected growth in the numbers of older people in the sub-region over the next 25 years. Table 3.2 shows this increase in more detail. Between 2009 and 2030, the number of people aged 65 or more will increase by almost 90,000, to make up 26% of the sub-region’s population (compared to 18% in 2009). More significantly, in terms of housing and care needs, the number of people aged 80 or more will grow by 46,000. People in this age group will make up almost 10% of the population by 2030. The proportion of older people will be slightly lower in Warrington than in Cheshire but the gap will narrow over time.

Table 3.2 Ageing of the Cheshire and Warrington population

Age group	Increase 2009-2030 (000s)	Percentage of population	
		2009	2030
65-79	43.7	13.0	16.5
80 and over	46.1	4.8	9.2
65 and over	89.8	17.8	25.7

Source: ONS 2008-based sub-national population projections

3.14 The needs of the rapidly growing number of older people are an investment priority in terms of both housing and care requirements. These needs are increasingly complex. Increasing numbers of the frailest older people live in the owner occupied sector and seek solutions to their needs within that sector. If they are to remain living independently, many will require adaptations to their existing homes as well as care services, or will seek to remain in the private sector if they move to more suitable accommodation. Some will have low incomes or experience a decline in incomes and savings as they grow older, increasing their vulnerability and dependence on public sector support or social housing. The increase in the number of over 80s will also result in a rise in the number of people with dementia whose support needs are much greater and who may require Extra Care housing or other specialised care.

3.15 Aspirations amongst older people have risen steadily in parallel with good practice, so specialised housing provision for older people often requires remodelling or replacement, as well the provision of additional housing to cope with increased demand. The Local Authorities across the sub-region are seeking to ensure that their own provision meets the anticipated growth in care needs. The loss of funding for PFI-funded extra care provision has highlighted a gap which other solutions will be needed to fill.

3.16 Home Information and Improvement Agency services providing a wide range of advice and support services to older and disabled people will remain an important feature of housing services for older people, as will improvement and Disabled Facilities Grants.

3.17 LIP1 identified the importance of the Supporting People programme in the sub-region and the intention of the Local Authorities to continue to refine and focus services on those in greatest need in the context of a diminishing budget. There are variations in requirements and priorities across the sub-region, which are being addressed by the individual Local Authorities through their local strategic and policy responses.

3.18 There is a shortage of sites for Gypsy and Traveller groups across the sub-region, with a requirement for both extra transit pitches and an additional 107 permanent pitches. Some new provision is in the pipeline but further sites and funding sources are required to meet the identified needs.

3.19 The sub-region continues to have issues with non decency within the private sector stock, with significant concentrations of disrepair in the urban centres of Ellesmere Port,

Crewe and Warrington. The Local Authorities are focused upon retaining the capacity to respond to this problem and will be seeking to maintain an investment stream over the planning period through the use of a variety of funding sources and approaches.

4 Need and Opportunity: forging the links

4.1 The Cheshire and Warrington housing market provides significant investment opportunities for developers, employers, individuals and potentially financial institutions such as pension companies. Demand for housing is strong, the wider environment and public services are generally good and there are well developed growth nodes for economic development which, in many cases, coincide with urban centres that can accommodate new housing supply and include neighbourhoods that are in need of urban renewal, support and enhanced management.

4.2 These areas of need and opportunity will receive a coordinated response which will focus on meeting housing need through the deployment of the new affordable housing programme and the Supporting People programme; improving the management of the private rented sector; job creation; addressing non-decency in private housing and returning empty properties to housing use; and generating much needed housing supply. These priority spatial areas are identified below.

Spatial priorities

4.3 The first LIP, produced in 2010, set out a series of spatial priorities for investment based on meeting housing demands and needs in the most sustainable fashion. This approach focused on ensuring that new housing is located close to areas of employment growth, in locations where there is infrastructure capacity or the potential to supplement it and where development will support existing communities and contribute, where possible, to regeneration programmes and measures to tackle disadvantage. This approach also maximises the opportunity to re-use brownfield land wherever possible.

4.4 Based on these principles, the primary focus for investment will be in or around the following existing key urban settlements:

- Warrington – Warrington has the capacity for significant expansion as a business and commercial centre through regeneration of its central area, phased urban extensions at Omega and growth in other important sites. Its central location in the emerging Atlantic Gateway and its key positioning on both the strategic road and rail networks provides the basis for it to play an important role in the region’s strategic hierarchy as a regional driver of economic growth.
- Crewe - Following the development of a comprehensive strategic vision for Crewe, the town needs to significantly increase its economic productivity and is well positioned to do so in terms of strategic connections and major development sites. To facilitate this, there is an ambition to achieve a 25% growth rate in employment and population.

- Ellesmere Port - Ellesmere Port has the potential to serve as a residential and employment growth point, with the re-use of the significant stock of brownfield land released by the decline of previous industrial uses.
- Chester – Chester plays a key role at the heart of the sub-regional economy with the Deeside Hub as the base for a range of knowledge economy businesses, an important centre for the tourism industry, a high quality office location and a key retail and service centre. Key projects, including the Business Quarter, will take growth forward in the context of the One City Plan and the Local Development Framework (LDF). Chester’s economic success has created a buoyant housing market which extends well beyond its boundaries into surrounding settlements, including adjacent areas in North Wales. House prices are relatively high and there are severe problems of affordability which have intensified during the 2000s.
- North East Cheshire – Macclesfield and North East Cheshire are the focus of the some of the sub-region’s most productive businesses, drawing on a close relationship with the economy of Greater Manchester. Targeted growth and collaboration with key employers will enable the area to maintain its role as an important economic driver.
- Weaver Valley Towns - The 'Weaver Towns' of Northwich, Winsford and Middlewich have the potential for economic and quality housing growth and, with improved public transport accessibility, there are deliverable opportunities for substantial development in these towns, linked to the West Cheshire Growth Point Programme.
- Rural Areas - The market towns and villages of Cheshire's substantial rural area are an important component of economic growth and provide service centres for the rural and agricultural communities, as well as supporting food and drink industries. There is a commitment to address key issues within these communities which currently mitigate against rural sustainability, illustrated for example by the adoption of Rural Regeneration and Rural Housing Strategies in Cheshire West and Chester.

4.5 A number of other key policy priorities are largely geographically focused upon the urban centres outlined above and these are as follows:

Improving existing housing

4.6 Good progress has been made with achieving the decent homes standard in social rented housing across the sub-region, with future priorities being the enhancement of standards to meet tenant aspirations and the improvement of standards of energy efficiency. The main exceptions to this picture were in the council-owned stock in Ellesmere Port and in the former Arms Length Management Organisation (ALMO) stock in Warrington. Measures are in place to address these issues over the short and medium term.

Private sector housing

4.7 There is a significant problem of poor housing conditions and poor energy efficiency standards in the private sector in the sub-region, often concentrated in areas of older housing, low value housing, high levels of private renting and with associated problems of low incomes, worklessness and deprivation amongst residents. The Cheshire and Warrington Housing Alliance is developing proposals that will make the best use of the existing private and social housing stock, through the minimisation of vacancies and under-occupation.

4.8 House condition surveys show that problems of poor condition are most serious in the private rented sector. The sector is playing an increasingly important role in meeting housing needs, as well as in providing readily accessible housing for those moving to the area for employment or to study. The sector is growing rapidly. The three Councils are actively collaborating on measures to work with landlords to secure better management and to maximise investment in improving property conditions and energy efficiency standards, through Landlord Forums and an Accreditation Scheme which operates across the sub-region. The Councils also use powers of enforcement where this is needed.

4.9 Private sector housing issues are currently tackled through programmes of financial assistance, including equity loans, grant aid and Disabled Facilities Grants. There are a range of energy efficiency programmes. These programmes will be seriously affected by the loss of housing capital allocations, although the Councils will seek to provide funding from their own resources where this is possible. It is likely that future policies will involve tighter targeting of the limited public sector funds available and an increasing reliance on measures to encourage owners to use their own resources effectively, including drawing on the potential for using the equity in their homes to finance repairs and improvements.

Empty Homes

4.10 The Coalition Government has identified the need to return vacant homes into occupation as a priority. The level of vacant homes in the sub-region remains below average, but there is still considerable potential to improve the use made of the housing stock. The Local Authorities have each adopted policies to address this issue and recognise the contribution that existing empty stock can make to addressing supply side shortages in the short term. Examples of interventions include:

- Advice and guidance to property owners
- Financial assistance through Empty Homes and Conversion grants
- A matching service between empty homes and strategic housing partners/accredited landlords

- The use of suitable enforcement tools including Enforced Sale procedures and Compulsory Purchase Orders.

Older People

4.11 A key feature of the local housing market is the ageing of a significant number of households. This progressive change in demography will have a substantial impact on housing need over the coming two decades and it is therefore important to gradually increase the supply of accommodation for the elderly. This addition to housing supply is being facilitated by the implementation of affordable housing policies and Section 106 arrangements, an example of which can be seen in the development of Chapelford Urban Village in Warrington, where 112 new units for elderly residents are programmed for construction. In Chester, an Extra Care housing development will add a further 131 apartments for elderly residents by 2013.

Gypsies and Travellers

4.12 All three of the Local Authorities are planning to bring forward sites to accommodate Gypsies and Travellers during the planning period and Warrington are in the process of identifying estimates of provision to be delivered through their Core Strategy to 2027.

Students

4.13 The sub-region recognises issues surrounding the provision of student accommodation and there is particular pressure from recent increases in student numbers in Chester arising from the successful expansion of the University. As with most universities, there is considerably more demand for accommodation from students than university-owned supply. This puts pressure on the private rented sector, especially in communities adjacent to the campus. The economic benefits of a vibrant higher education sector are extremely important, both in terms of the direct impact on the economy of University-related employment and spending and in the longer-term, through the benefits which a University brings in terms of a qualified labour force, especially if a high proportion of graduates stay in the area. A study of student housing in Chester will be completed in 2011 and we will continue to work with the Universities and Colleges in Chester, Warrington and Crewe to explore how we can most successfully meet housing and community needs by monitoring the supply and demand for student accommodation, while developing measures to improve the quality of accommodation and management in the private rented sector and its constituent neighbourhoods.

5 Developing the LIP: initiatives, programmes and work programme

The immediate focus of the work programme 2011-12

5.1 The LIP will evolve over time and there are a number of initiatives which are currently moving from the development to delivery phase during 2011-12. These initiatives will be the focus of most intensive staff input over the next twelve months and will produce increases in housing supply, the quality of place and the environment over the 2011-15 planning period. There is a particular focus on improving support to the new affordable housing programme and delivering a step change in supply. These significant areas of intervention and activity are set out below:

- *Affordable Homes Programme* - The detail of the scale and location of the new build programme for affordable rent will emerge during the summer of 2011, while the framework for delivering and monitoring investment will be determined in the autumn. Discussions with Registered Providers have been held with a view to creating a Cheshire and Warrington Consortium which will implement the new build programme.
- *New Methods of Delivery* - The partnership is exploring the potential to bring forward an increasing volume of new housing supply through a sub-regional housing delivery vehicle, which can recycle development profit and work with developers and land holders to identify and address blockages and local market failure. The feasibility of this approach will be tested in 2011-12 and if shown to be viable would be deployed to increase supply housing in the second half of the planning period. This proposal is part of a wider review of delivery capacity which is also exploring the potential for Community Housing Trusts to deliver different forms of renting and low cost home ownership. The development of the Cheshire and Warrington Consortium also adds to local delivery capacity.
- *Place Shaping* - The sub-region contains a number of areas which have a relatively poor quality environment and concentrations of deprivation. These areas have also demonstrated a potential for economic and household growth and a programme of place shaping is underway, which is harnessing this growth and addressing disadvantage. Areas where there is concerted intervention include:
 - **Chester Renaissance** - This project seeks to develop the city into a modern and vibrant centre, which makes the most of its unique heritage and cultural identity whilst protecting and enhancing its historic legacy.
 - **Weaver Valley** - Centred on the towns of Northwich, Winsford and Middlewich, the aim of this project is to improve housing supply and neighbourhood

management while enhancing economic growth, for example, through the development of a regionally significant leisure offer.

- **Ellesmere Port** – This area is now subject to the development of a regeneration framework to stimulate economic growth, to improve the public realm and to unlock the potential to accommodate an additional 10,000 homes. There is a longer-term priority to open up the waterfront as part of the Atlantic Gateway proposals, which will provide major future housing capacity for the North West region.
- **Warrington** - The Local Authority is working with the new stock transfer housing association, Golden Gates Housing, to improve neighbourhoods, which will benefit from £105 million of investment over the next five years.
- **Crewe** - A number of key interventions are being developed to improve the transport infrastructure and to bring forward strategic employment sites. The aim is to increase the population by 25% by 2030 and to align this increase with growth in housing, jobs and productivity, focussing on key economic regeneration projects that include Crewe Green Link Road, Basford strategic employment site, Rail Gateway and town centre redevelopment
- **Macclesfield** - Following the production of an Economic Masterplan for the town centre and the South Macclesfield Development Area in 2010, an economic forum has been established that will take forward the delivery of change. Key projects include developing proposals with a development partner on a revised town centre scheme and developing a delivery strategy for South Macclesfield Development Area.

Issues subject to ongoing development post 2011

5.2 There are a number of areas where preliminary work to develop new approaches to stimulating housing supply is underway but where there is also recognition that further refinement of new policies and programmes will be necessary over the period 2011-13. The aim is to complete this work so that a suite of new initiatives to stimulate housing supply and improve the environment are in place for the second half of the planning period of this LIP. The major policy which will be the focus of the work plan during 2012-13 is:

The development of new financial models - Given the house price structure, high demand and prime values, the Cheshire and Warrington sub-region is a low risk investment environment with characteristics which are seldom found in the north of England. Thus, the area should be attractive to financial institutions and pension companies interested in long-term investment in private rented property. This approach to developing an alternative investment model will be explored with the HCA.

5.3 Looking forward, the Localism Bill will also provide opportunities to develop new approaches to finance such as Tax Increment Finance schemes. There would be some discretion to how these schemes could be packaged, which may be applicable to a sub-regional arrangement where risk is being shared. An early example of a financial incentive designed to stimulate housing supply is:

The New Homes Bonus - A joint approach to the deployment of this innovation is being scoped by the partnership and there is a recognition that there are clear benefits to offering investors a uniform offer within the broader housing market area, especially if that offer is competitive when compared to neighbouring localities which may compete for footloose housing and employment investment.

5.4 The link between housing supply and local economic development is a key feature of this document. 2011 will see a closer integration developing between the housing partnership, which will operationalise the LIP and the agencies working with the LEP. During 2012 a new feature of housing policy will be :

Support for the LEP - There are proposals to engage with major employers to gauge how housing services and provision impact upon investment decisions. Additionally, some discussion is needed to pinpoint how housing provision and associated infrastructure investment is supporting investment in key employment sites. This ongoing policy discussion will provide a clearer understanding of how to position housing investment to maximise its contribution to economic growth.

5.5 There is already an ongoing dialogue with the HCA about making better use of public sector land:

The Public Land Initiative (PLI) – The PLI has the potential to be deployed across the three Local Authority areas post 2011. The Local Authorities and HCA are investigating the potential of utilising public sector land across the sub-region in order to make a larger contribution to new housing supply in the second half of the planning period. This builds upon work already underway to identify public sector land for affordable housing and housing growth, including the Public Land Initiative project and the potential of HCA land assets in Warrington.

5.6 Low carbon and renewable energy technology will be a major area of development activity over the planning period. Work has already started on project design and delivery in 2011 and this will accelerate in later years of the plan. Current initiatives include:

The Green Deal - The three local authorities in partnership with Registered Providers will during 2011-2012 explore the potential of the Green Deal to improve housing conditions at scale while significantly reducing the carbon footprint of the residential portfolio.

In 2010, the sub-region successfully secured over £7 million from the European Regional Development Fund (ERDF) to support a programme of energy-efficiency and renewable energy measures, primarily targeted at social housing. The Conservation and Acceptance of Renewable Energy (CARE) project is Cheshire and Warrington's partnership approach to installing renewable energy/low carbon technology in hard to treat and, in some cases, rurally isolated homes, in order to improve energy efficiency and generate renewable energy.

The development of a business case in Warrington for a £3.1 million investment on solar panels on 600 properties in partnership with the Golden Gates Housing Trust. If this programme is judged to be successful the programme will be extended to a further 3500 dwellings.

Support through planning policy in Cheshire East for the introduction of technologies to ensure that all energy demand will be generated by low carbon sources by 2030 and that net CO₂ emissions from buildings will be zero.

Cheshire West and Chester Council is focusing on targeting financial incentives through loans and grants to householders to encourage the take up of energy efficient improvements to dwellings on both an individual and neighbourhood targeted basis.

5.7 *Joint procurement opportunities* - These opportunities include: research and development costs; the costs associated with procuring and delivering the sub-regional Affordable Housing Programme; marketing to investors; land reclamation; and recycling grant and receipts.

5.8 *The HCA 'ask'* - The HCA is evolving into an enabling agency which has skills and expertise that it can deploy to assist with the delivery of the objectives of this LIP. The programme of activity associated with this Investment Plan will widen and deepen during 2012 and the 'ask' of the HCA will become more specific, focusing on requests to remove blockages to delivery, as well as providing technical support to explore new approaches to financing housing supply.

6 Conclusion

6.1 The development of this LIP has been achieved during a period of unprecedented change in the national and international economy, and equally substantial financial and public policy changes at the sub-regional and local level. This document reflects these changes and sets out how we intend to develop new ways of working and new ways of financing and delivering housing supply. Over the last eighteen months, sub-regional governance has been strengthened through the development of the Leadership Board and the Senior Management Team. Additionally, the alignment of housing and economic growth potential will be delivered through the deepening of collaborative working with the Board of the LEP. Increasingly, this collaborative working will be seen to deliver results on the ground, utilising economies of scale in procurement, developing new partnerships between the public and private sector agencies and creating assets using the resources, which will be available following the implementation of the Localism Bill.

6.2 We believe that the Cheshire and Warrington sub-region offers a unique opportunity for investors in housing and economic development in the North West of England. The area has a vibrant and growing economy, a strong housing market and an environment which contains historic urban centres, attractive market towns and locations which have capacity for new business parks and major inward investment. This LIP recognises the importance of securing a step change in housing supply to support future economic and employment growth and the delivery plan, which flows from this document, will prioritise this issue going forward.

6.3 While recognising the importance of securing an inflow of young and skilled workers, this document also places significant emphasis on preserving and improving the quality of life for existing communities and residents. Both are essential and interdependent. The Place Shaping agenda, in both urban and rural areas, will remain an important focus of public policy over the planning period of 2011-2015 as the sub-region implements a sustainable development programme. The aspirations of the sub-region cannot however be delivered without an increasing role for the private sector in financing and developing housing solutions. This document sets out the framework and direction of travel, which will ensure that public policy supports the private sector and helps to provide the opportunities which will make our economic and housing ambitions achievable.