

Liverpool City Region APPG and Greater Manchester Westminster Group

Research Paper No.6

Unlocking great homes and places in the North West

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1. Introduction

England has the oldest housing stock in Europe, with over 20% of homes over 100 years old.¹ This presents a unique challenge for policymakers attempting to address issues such as poor energy inefficiency, ill health and the impacts of climate change. New homes will play a part in addressing these challenges, as housing markets respond to changes in mobility, employment and lifestyles. However, it is anticipated that the vast majority of the homes that people will inhabit in 2050 already exist today.² That means significant improvements will be needed for the homes people are living in today if they are to remain habitable in thirty years.

The energy crisis in Europe over the last 18 months has placed a spotlight on the important role played by housing in keeping energy use – and costs – at a manageable level. Housing is also crucial for the UK to meet its target to reach net zero carbon emissions by 2050 and responding to climate change. Residential buildings contribute around 15% of overall greenhouse gas emissions.³ Retrofitting older properties with insulation and other energy saving measures is central to this policy challenge, but variation in residential tenures presents difficulties – 63.8% of dwellings in England are owner-occupied, with the remainder split across social rented (16.5%) and private rented (19.6%).⁴ However, over the last decade, investments in home energy efficiency have declined significantly.⁵

Liverpool City Region (LCR) and Greater Manchester (GM) share many of the housing challenges facing other parts of the UK. House prices in many neighbourhoods have risen above inflation over the last decade while housebuilding has not kept up with demand. Investment in retrofit has slowed in both social and private housing. While there has been significant investment in urban and town centre residential-based regeneration, the costs of building on brownfield land are a barrier to development. However, there are important differences between LCR, GM and other parts of the UK housing market, notably the age of the existing housing stock and the energy efficiency issues this creates. This briefing will outline three key challenges which are central to unlocking investment, innovation and growth in housing in the two city-regions.

¹ Piddington, J., Nicol, S., Garrett, H. and Custard, M. (2020) *The housing stock of the United Kingdom*. BRE Trust. https://files.bregroup.com/bretrust/The-Housing-Stock-of-the-United-Kingdom_Report_BRE-Trust.pdf

² Royal Academy of Engineering (2010) *Engineering a low carbon built environment*. https://raeng.org.uk/media/o4wfyppqy/engineering_a_low_carbon_built_environment.pdf

³ Housing, Communities and Local Government Committee (2021) 'Local government and the path to Net Zero'. Fifth report of session 2021-22. 26 October 2021. House of Commons. Available at: <https://committees.parliament.uk/publications/7690/documents/80183/default/>

⁴ Department for Levelling Up, Housing and Communities (2021) Dwelling stock estimates, England. 31 March 2021. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1074411/Dwelling_Stock_Estimates_31_March_2021.pdf

⁵ Carbon Brief (2022) 'Analysis: cutting the 'green crap' has added £2.5bn to UK energy bills'. <https://www.carbonbrief.org/analysis-cutting-the-green-crap-has-added-2-5bn-to-uk-energy-bills/>

2. Three key challenges to unlocking investment, innovation and inclusive growth in housing in Liverpool City Region and Greater Manchester

Improving housing quality and choice

Providing the right type, tenure and affordability of housing is an important part of achieving inclusive growth and neighbourhoods of choice. But the housing market is not homogeneous across LCR or GM. For example, housing choice in LCR is characterised by a higher-than-average proportion of lower value houses (Council Tax Bands A and B) than that found nationally. This is exacerbated in some areas of the city-region by an under supply of good quality one-bedroom homes – whilst in others choice is constrained for higher earners and growing families who wish to remain in their community but are unable to find larger and better-quality properties to move in to. Lack of choice in local housing markets is also particularly acute for older residents, with much existing housing stock currently ill-suited to meet the accessibility and adaptability standards required by an increasingly ageing population.⁶

Poor quality housing is a shared challenge across the North of England. Almost a quarter of all homes in the North (24%) were built before 1919, of which 42% have been found to fall short of the decent homes standard.⁷ Moreover, recent analysis by Centre for Cities has identified a distinct North-South divide in terms of housing stock energy efficiency.⁸

Poor thermal and energy efficiency remains a challenge across much of the housing stock in the North West. In GM, whilst 95% of new build homes now have an Energy Performance Certificate (EPC) Band C or above, at least 40% of existing housing stock in the city-region still falls below this standard.⁹ Indeed, modelling by Greater Manchester Combined Authority suggests that some 61,000 properties across GM will need to be retrofitted each year until 2040 in order to improve energy efficiency and achieve environmental targets.¹⁰ Recent analysis by IPPR North has revealed particular challenges around housing quality in the private rented sector (PRS), with approximately 25% of all PRS homes in GM are classed as ‘non-decent’.¹¹ This picture is even more complicated in LCR, where the scale and scope of the city-region’s housing retrofit challenge should now be considered particularly critical. Some 60% of homes in LCR have an EPC Band D or E, and 7% perform worse than Band E.¹²

Improving the quality of the region’s housing will be critical to meeting climate targets, with poor thermal and energy efficiency contributing to higher carbon emissions. Energy use in homes accounts for 15% of all greenhouse gas emissions in the UK. However, poor quality housing has wider implications for the prosperity and wellbeing of communities across the region. For

⁶ Liverpool City Region Combined Authority (2019) *Our Housing Ambitions for the Liverpool City Region, 2019-2024*. <https://api.liverpoolcityregion-ca.gov.uk/wp-content/uploads/2023/09/LCRCA-HOUSING-STATEMENT-2019.pdf>

⁷ The Smith Institute (2016) *The hidden costs of poor quality housing in the North*. <https://www.northern-consortium.org.uk/wp-content/uploads/2018/10/The-Hidden-Costs-of-Poor-Quality-Housing-in-the-North.pdf>

⁸ Rodrigues, G. (2022) *The North-South divide of the Energy Price Guarantee*. <https://www.centreforcities.org/blog/the-north-south-divide-of-the-energy-price-guarantee/>

⁹ Woodbine, L. and Oduba, Z. (2021) *Housing Market Monitor December 2021*. <https://democracy.greatermanchester-ca.gov.uk/documents/s19951/06.%20Housing%20Market%20Monitor.pdf>

¹⁰ GMCA (2019) *Greater Manchester Housing Strategy*. <https://greatermanchester-ca.gov.uk/media/2257/gm-housing-strategy-2019-2024.pdf>

¹¹ IPPR North (2022) *High standards: Developing a property improvement model for the private rented sector in Greater Manchester*. <https://www.ippr.org/articles/high-standards-developing-a-property-improvement-model-for-the-private-rented-sector-in-greater-manchester>

¹² LCRCA (2021) *Our Housing Ambitions for the Liverpool City Region 2019-2024*. <https://api.liverpoolcityregion-ca.gov.uk/wp-content/uploads/2023/09/LCRCA-HOUSING-STATEMENT-2019.pdf>

example, poor thermal and energy efficiency contributes to rates of fuel poverty in GM and LCR that are higher than the national average. In Liverpool, 18.7% of households are fuel poor, compared to 13.2% in England as a whole. However, these figures are based on data from 2020, and so are likely to significantly underestimate the current rates of fuel poverty in communities across the North West¹³.

Poor quality housing is also a key driver of health inequalities. Cold, damp, and cramped housing is known to increase the risk of poor health, and illnesses such as asthma and cardiovascular disease.¹⁴ In addition, issues such as damp and disrepair have been highlighted as contributing factors for mental health conditions such as anxiety and depression.¹⁵ Average life expectancy across both GM and LCR is lower than the national average¹⁶, while economic inactivity due to long-term sickness is also higher in the North West (31.2%) than Great Britain as a whole (26.9%).¹⁷

Nationally, the Committee on Climate Change has long warned that current policy is failing to improve energy efficiency in existing homes.¹⁸ Locally, however, local and combined authorities have been working to improve housing quality and support residents. For example, the Liverpool City Region Combined Authority is delivering improvements to the city-region's housing stock through delivery of initiatives such as the Sustainable Warmth Fund Programme, the Social Housing Decarbonisation Fund, and the Home Upgrade Grant¹⁹. Meanwhile, through the recent 'trailblazer' deal with government, GM will pilot the devolution of funding for housing retrofit as well as a Greater Manchester Housing Quality Pathfinder programme.²⁰

However, the scale of the housing quality challenge remains significant. The National Housing Federation estimates that £36bn is needed just to bring all housing association homes in the UK up to a minimum EPC energy rating of C, and to install clean heat technology (such as electric heating).²¹

Achieving such goals will require substantial public funding²², as is already being demonstrated internationally. For example, Germany has committed to spend €56bn on improving building energy efficiency between 2023 and 2026, with much of this funding set to renovate buildings in the bottom 25% of energy performance.²³

¹³ BEIS (2022) Sub-regional fuel poverty data 2022. <https://www.gov.uk/government/statistics/sub-regional-fuel-poverty-data-2022>

¹⁴ Marmot, M. (2020) *Health equity in England: the Marmot review 10 years on*. https://www.health.org.uk/publications/reports/the-marmot-review-10-years-on?gclid=Ci0KCQiA_c-OBhDFARIsAIFg3ezLkuf8jh_H84t5ardOLQHfIRJsolGNxM7eKyZ08Nw2JTcJFVXQkaAn87EALw_wcB

¹⁵ Shelter (2017) The impact of housing problems on mental health. https://england.shelter.org.uk/professional_resources/housing_and_mental_health

¹⁶ Office for Health Improvement & Disparities (n.d.) Fingertips public health data. <https://fingertips.phe.org.uk>

¹⁷ Nomis (2023) Economic inactivity (Oct 2022-Sep 2023). <https://www.nomisweb.co.uk/reports/lmp/comb/1853882372/report.aspx#tabeinaact>

¹⁸ Committee on Climate Change (2019) UK housing: Fit for the future? <https://www.theccc.org.uk/publication/uk-housing-fit-for-the-future/>

¹⁹ LCRC (n.d.) Housing. <https://www.liverpoolcityregion-ca.gov.uk/housing>

²⁰ HM Government (2023) Greater Manchester Combined Authority Trailblazer deeper devolution deal. <https://www.gov.uk/government/publications/greater-manchester-combined-authority-trailblazer-deeper-devolution-deal>

²¹ Savills (2021) *Decarbonising the housing association sector: costs and funding options*. Report for the National Housing Federation. <https://pdf.savills.com/documents/Funding-Options-Report.pdf>.

²² Shand, W. (2022) 'Social housing retrofit: building a dynamic delivery programme'. *Heseltine Institute policy briefing*. 2 (12). <https://www.liverpool.ac.uk/media/livacuk/publicpolicyampractise/jo/PB,212,combined.pdf>

²³ Edie (2022) 'Germany's €177bn climate budget to focus on building retrofit'. <https://www.edie.net/germanys-e177bn-climate-budget-to-focus-on-building-retrofit/>

Increasing social rented housing stock

In common with other English city-regions, the percentage of LCR and GM residents living in households in the private rented sector (PRS) has increased over the last decade. Yet the PRS is the least secure form of tenure and less regulated. According to the 2021 Census there were 34% more households in the PRS in GM than in 2011, compared to an increase of 29% in England as a whole. For the first time, the number of households in GM renting privately (242,034) is almost level with those renting social housing (243,403).²⁴ Similarly, almost one in four properties in LCR are now private rented and some 20% of housing in the city-region is provided by housing associations.²⁵

In both city-regions, new social housing will need to play a key role in accommodating growing populations but the proportion of social housing has decreased over recent decades. The increase in households in PRS over recent years is likely to include some who would historically have lived in social housing, as well as those who are saving to buy a home of their own. In areas covered by Liverpool City Council and Manchester City Council alone there were over 30,000 people on the social housing waiting list in 2022/23.²⁶

However, housing associations and local authorities have identified a number of barriers to increasing social housing stock. These include:

- *Skills shortages:* The construction industry is facing a skills shortage due to an ageing workforce, an exodus of EU workers following Brexit and insufficient numbers of younger people entering the sector through apprenticeships. More than 35% of the industry's workforce is aged over 50 and is likely to retire in the next decade and it is estimated that almost 25,000 apprentices will need to qualify every year to meet demand.²⁷
- *Inflation:* Greater Manchester Housing Providers has highlighted three ways in which recent high inflation has impacted the social housing sector. First, day to day costs have increased at a higher rate than income, driven by rises in component and staff costs. Second, social housing residents are more adversely affected as incomes tend to be less resilient to inflation. Third, rising borrowing costs affect the ability of social housing providers to invest in new homes and retrofit.²⁸
- *Meeting statutory requirements:* Linked to this issue is the pressure on housing providers to maintain existing stock to meet the Decent Homes standard. The demands on maintaining existing stock combined with inflation risks pushing back decisions on investment, both in retrofit and on new homes.
- *Brownfield viability:* UK government has reiterated its commitment to a 'brownfield first' planning policy in recent months. Research has identified capacity for around 1.4 million new homes on brownfield sites in England over the next 15 years, which would meet around 30% of housing need.²⁹ However, many brownfield sites face viability issues, particularly for social housing which often yields a lower return on investment than housing for the private market. Both GM and LCR are investing in remediating brownfield

²⁴ GMCA (2021) *Census 2021 briefing: tenure*. <https://www.greatermanchester-ca.gov.uk/media/7877/230414-housing-tenure-accessible.pdf>

²⁵ Department for Levelling Up, Housing and Communities (2022) Live tables on dwelling stock

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

²⁶ LG Inform (2023) Total households on the housing waiting list <https://lginform.local.gov.uk/reports/>

²⁷ UK Trade Skills Index 2023 (2023) <https://www.aboutapprenticeships.com/reports/uk-trade-skills-index-2023/>

²⁸ Greater Manchester Housing Providers (2023) Written evidence to Levelling Up, Housing and Communities Committee <https://committees.parliament.uk/writtenevidence/121216/pdf/>

²⁹ Lichfield (2022) *Banking on Brownfield*

sites to improve viability and unlock investment, using funding from the government's Brownfield Land fund. The GM trailblazer devolution deal also provides £150 million of funding for investment in developing brownfield land. However, more funding will be required to unlock investment in urban brownfield sites to increase remediation and develop the infrastructure required.

Encouraging innovative housing solutions

Ensuring enough new homes are developed across LCR and GM will require a range of interventions involving the public, private and third sectors. Social housing providers and traditional major housebuilder models of development will play a major role. However, there is also a need to promote innovative forms of investment in new housing and retrofit of existing properties to improve competition and increase choice for LCR and GM residents. There are already a number of innovative models of development across the North West and England which could be further developed. These include:

- *Community-led housing:* The North West has a long history of community-led housing development, defined as the design and delivery of housing by local communities. The largest community-led development in the UK is based within LCR. Destination Bootle is a new mixed-use development near the Leeds-Liverpool canal which will see the development of almost 200 new homes and 3,000 sq ft of commercial space for use by the local community.³⁰ The Community Housing Fund, which was established to provide support for homes provided by the community-led housing sector, is not currently accepting funding bids. As a result, there are currently no national funding sources available specifically for investment in community-led housing. However, opportunities are available at a regional and local level through organisations such as Power to Change which has previously committed over £4 million to invest in community housing in city-regions across England. GM's trailblazer deal which includes additional housing responsibilities and funding may also offer opportunities to support community-led housing.³¹
- *Mayoral Development Corporations:* City-region devolution deals provide scope for combined authorities to establish Mayoral Development Corporations (MDC) to drive urban regeneration. The Stockport MDC was established by Andy Burnham in 2019 with the aim of drawing in private investment and delivering local housing and development priorities. There is potential for MDCs to deliver significant new housing by focusing attention on specific regeneration opportunities, aligning infrastructure needs with housing delivery, and shaping urban design priorities. However, to date this model has not been utilised elsewhere across the North West.
- *Dynamic approaches to retrofit:* A Heseltine Institute policy briefing assessed how Camden Council is rolling out retrofit for the 33,000 social rented properties in the borough. Four elements are identified as central to the success of this programme. First, undertaking a detailed profile of existing housing stock in the borough to accurately measure costs and potential carbon savings. Second, procurement for contractors was based on their ability to carry out the necessary work at scale, and provision of local jobs

³⁰ Traynor, K. (2020) 'Tackling the 'housing disease' through community-led housing'. *Heseltine Institute Policy Briefing* 026.

<https://livrepository.liverpool.ac.uk/3106475/1/Heseltine%20Institute%20Policy%20Briefing%20026.pdf>

³¹ Power to Change (2021) *How to enable community housing*. <https://www.powertochange.org.uk/news/how-to-enable-community-led-housing/>

and training opportunities. Third, a full assessment of employment needs was carried out early in the process to align employment advice and local training provision. Finally, governance arrangements have been put in place to ensure strong partnerships with external stakeholders and across council departments.³²

- *Making the most of public land:* The LCR Land Commission – the first of its kind in England – was established in 2020. The initiative gathered together experts on community land, social enterprise, planning, land reform and housing to develop ideas for developing publicly owned land for the purpose of social wellbeing and environmental sustainability. The commission made a series of recommendations for LCR which could also be applied in other city-regions, including making underused land available for community use, implementation of progressive planning policies such as land allocation for socially valuable use, and investing in green infrastructure.³³
- *Strategic, city-region spatial planning:* Both LCR and GM have developed city-region spatial plans, albeit adopting somewhat different approaches. In LCR, the Spatial Development Strategy (currently out for consultation) aims to grow existing urban areas and a handful of towns within the city-region with potential for development, while aligning with broader spatial development objectives. In GM, Places for Everyone (formerly the Greater Manchester Spatial Framework) has been in the making for several years. Planning at the ‘larger than local’ level is essential to align development across different housing markets and ensure homes are built in the right places. But struggles to get spatial plans off the ground in LCR and GM demonstrate the need for a more consistent message on planning at the national level.

3. Conclusion

Whilst GM and LCR may represent different housing landscapes, many of their key housing challenges are shared and both recognise the role of housing in tackling broader city-region issues. This presents opportunities to collaborate and coordinate with key partners, including housing providers and Homes England on a cross-regional basis, to co-develop innovative solutions to local housing needs, and share best practice.

There is an opportunity for LCR to learn from, and build upon, progress made through GM’s ‘trailblazer’ devolution powers over housing policy and delivery. In particular, LCR should seek to level up its own devolution powers, with control of single pot funding, to address what is currently a complex, fragmented, and insufficiently resourced funding landscape. Moreover, through further devolution, there is an opportunity for both city-regions to nurture innovative solutions, and develop approaches to housing that better promote the health, sustainability, and shared prosperity of local communities.

City-regional devolution also offers a focal point around which to coordinate constructive engagement with government on housing and planning policy reforms. With a general election expected before the end of the year, such engagement should seek to challenge the lack of consistency in planning policy seen in England since 2012, highlighting the negative implications of this continual churn for developers, local and combined authorities, as well as delivery of strategic housing ambitions across the North West.

³² Shand, W. (2022) ‘Social housing retrofit: building a dynamic delivery programme’. *Heseltine Institute policy briefing* 2(12). <https://www.liverpool.ac.uk/media/livacuk/publicpolicyamppractice/fo/PB,212,combined.pdf>

³³ CLES (2021) *The Liverpool City Region Land Commission*. <https://cles.org.uk/community-wealth-building-in-practice/community-wealth-building-places/the-liverpool-city-region-land-commission/>

4. Key Questions

- What are the barriers to unlocking great North West homes and places?
- What policy changes would unlock great homes for the North West?
- What are the key asks for government so that the North West can have sustainable, healthy and affordable homes fit for the future?

About the Heseltine Institute for Public Policy, Practice and Place

The Heseltine Institute for Public Policy, Practice and Place is an interdisciplinary public policy research institute which brings together academic expertise from across the University of Liverpool with policy-makers and practitioners to support the development of sustainable and inclusive cities and city regions. The Institute has a particular focus on former industrial cities in the process of regeneration, such as the Liverpool City Region. Through high impact research and thought leadership, knowledge exchange, capacity building, and evidence based public policy, the Institute seeks to address key societal challenges and opportunities pertaining to the Future of Cities and City Regions, Regional Inequalities and Public Service Reform.

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This paper has been prepared by:

Dr Tom Arnold, Research Associate, Heseltine Institute

Dr James Hickson, Research Associate, Heseltine Institute