

Our ref: JEC/AM/JM

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Your visit to BNG

Thank you for your letter dated 29 October. Our discussions during your visit were very helpful to us in developing our own thinking and responses to the challenges we face in NewcastleGateshead. The residents you met in Walker and Bensham particularly appreciated your interest and have asked me to say many thanks for the opportunity to discuss the work in their areas with you.

As you indicate, we face challenges which are different from some of our other Pathfinder colleagues, reflecting our different places, circumstances and position within the programme. The over-riding similarity we share with other HMR areas, and which I hope we were able to demonstrate to you, is that none of our neighbourhoods have reached that 'tipping point' which will achieve sustainable success without continued intervention. The result of the economic downturn is that in some places (the example we used was Walker) indicators show that social and economic improvements achieved are now slipping and in some cases are back to 2007 levels. As we described, our adaptation of investment during the downturn has increased our land acquisition programme. This will help us prepare for the upturn and increase our already significant investment in Renewal and Growth.

But without further and continued public investment we could see further market collapse, expressed in Michael Parkinson's telling phrase about private sector 'flight from risk'. So we need to acknowledge that the job is not finished, and find ways of moving forward, notwithstanding the pressures of the economic downturn and future reductions in public expenditure.

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Our responses to questions you posed to us are set out below:-

How can the HCA add value to the work you are doing – especially how can we develop the Single Conversation for the sub-regional level and align the different funding streams that we hold?

We need to build on the existing success in securing matched and complementary funding to reinforce the value of investment which supports economic growth and creates community confidence. The Single Conversation must capitalise on the successful cross-boundary working which the HMR programme has enabled to develop across Newcastle Gateshead. We have a mature partnership with a focus on 'place', community engagement and clear evidence to inform investment programmes. Our plans include preparing, with the HCA, a protocol for the development of a Single Conversation for Newcastle and Gateshead and an integrated approach to sub regional investment.

We bring to this our strategic housing expertise and work with key stakeholders including the RDA and 1NG, the NewcastleGateshead City Development Company. The added value from HCA is in aligning this strategic overview of the sub region with all the available funding streams and expertise of the HCA. This alignment is crucial to achieving success for places and we look forward to further understanding and development of how that can be taken forward when the results of the 'Total Place' pilots are known. Aligning Housing and Growth funding, however, is not enough. Together with the HCA, we will need to align with Regional Economic Strategy and Regional Housing Strategy, and especially the economic masterplan being developed by 1NG, in addition to Transport, Education and Green Infrastructure Funding and developing performance indicators on employment and training in addition to specific measures to show how our places are performing.

▪ **How do you see the structure of the pathfinder developing to make the most effective use of resources and to cope with future challenges?**

BNG has a clear governance structure with democratic oversight from the Gateshead and Newcastle Partnership as well as the BNG Board which involves elected members, other nominated members and independents. We achieve local accountability through Project Boards, Steering Groups, our Residents' Panel and local area governance structures in the two authorities. As well as BNG, the GNP oversees our sister companies, 1NG (the City Development Company) and NGI (the Tourism and Destination Marketing Company). We anticipate that this governance framework will evolve in the next 6 months to further develop and align the work of the three bodies to achieve a clear joint

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narrative for the future encompassing economic regeneration and growth with housing strategy and investment.

As we outlined to you at our visit, we are preparing, with our partners, the development of the most appropriate structure to move BNG forward. We are conducting four separate but inter-linked pieces of work which will inform a shared view with our partners of the best way to move ahead. These are:-

- Reviewing current revenue resources: We need to balance the requirements of staffing with those which support our strategic aims, in particular research to underpin market intelligence and initiatives to support neighbourhood change, including active engagement with private landlords as well as neighbourhood management. This work will complete by the end of November and is an independent review of NewcastleGateshead and BNG revenue resources and the way they are currently used to deliver Housing Market Renewal and Growth. It will report on any overlap, duplication and make recommendations on achieving efficiencies through rationalisation and more effective deployment of resources.
- Evaluating the impact of the BNG programme to date: This is an external view of the impact and effectiveness of our investment and will inform future investment decisions on and produce a model which we will use to continue to evaluate our progress on achieving successful places and to optimise the investment programme.
- Modelling Future Markets: This work is led by Professor Glen Bramley examining the economic and social effects of the planned investment programme. It is entering its second stage and we shared with you some of the early results which show clearly that house price forecasts to 2016 demonstrate significant negative values which will require continued gap funding to secure private sector investment. This modelling work will be an important element of planning future investment and the phasing to achieve the best possible results from available public funding.
- Looking to the Partnership Future: Both Local Authority partners, through the Gateshead and Newcastle Partnership, have made a commitment to the long term future of BNG to reflect the acknowledged strengths and track record. We are currently reviewing (with the HCA) the form that the Partnership will take in the future to achieve maximum added value to the work of the sub region. This will be a Partnership of HCA, NewcastleGateshead and BNG as part of the Single Conversation process.

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- **As the next Comprehensive Spending Review is likely to be tight what metrics should we be measuring so that both Bridging NewcastleGateshead and the HCA can demonstrate value for money?**

BNG's strategies have clear links to the improving economic performance of the NewcastleGateshead conurbation as the heart of the region's economy. The land assembly achieved (see below) is critical to the employment growth planned in high value added occupations in the urban core. So we have the capacity to achieve neighbourhood change which will fulfil the original HMR objectives, secure greater housing choice and quality and contribute to environmentally sustainable outcomes.

Demonstrating value for money is clearly a priority in the approaching Comprehensive Spending Review. We welcome the new Integrated Performance Management Framework of the HCA as a step in the right direction but feel that further development of the measures is needed to ensure we reflect our substantial and previous investment in preparing and making land available for development and the significant number of housing units this will deliver for the future. So, for example, we have invested in assembly of 84 hectares (net developable area) of cleared land that will generate 4303 homes in the future and we need to explore how we demonstrate this in the best way, which shows how we achieve greater value for money over the long term.

Measures for Growth, Affordability and Renewal underpinned in the Performance Framework by sustainability will give a clearer picture of our contribution in the future and will provide a better reflection of our contribution, rather than the narrow output indicators used at present and can be used effectively in making the argument with Treasury.

- **Figures on the number of people who have been positively impacted on by our programme and what this has cost per person.**

The summary table below shows our expenditure 2003-09.

Expenditure by Intervention Type			
Intervention	Investment £m 2003/4-2008/9		Primary investment types
Site Assembly	85,531	51.0%	Property and land acquisition, demolition
Improvements to Houses	34,750	20.7%	Facelift and other property improvements
Other including management	10,665	6.3%	Staffing costs
Planning	10,549	6.3%	Masterplanning, design competitions
Environmental Improvements	9,417	5.6%	Streetscape improvements
Supporting Communities	8,726	5.2%	Neighbourhood management
Site Development	8,074	4.8%	Gap funding for new build development
	167,712	100%	

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We are currently assessing the numbers of people positively affected by the programme and the costs of this. Initial findings are:-

- o 46,510 people have been directly, positively affected by the BNG programme to date through relocation, property improvements, new build, landlord/resident support and employment/training. In addition, a further 9467 people will occupy new homes resulting from previous investment. This gives a total number of beneficiaries of 55,976.
- o The total programme budget (2003-09) was £167.7m, giving a cost of £2,996 per person.

Our major intervention areas expenditure and outputs are detailed below:-

Major Intervention Areas: BNG Expenditure and Outputs					
	£m	Demolished	Acquired	New Build	Capacity ¹
Scotswood Benwell	39.930	995	361	16	2,000
Walker Riverside	27.480	501	180	133	440
Bensham Saltwell	21.223	36	221	11	110
Elswick Discovery Quarter	20.719	125	0	19	500 ¹
Felling ByPass	16.986	491	213	77	565
¹ Includes the Brewery Site					

We are also exploring how we can more closely relate the evaluation of our investment to changes reflected in the Index of Multiple Deprivation. By the end of December 2009 will report further on the outcome of our detailed examination of our work and investment programme to demonstrate value for money of the past programme and how we can move forward to take advantage of the investments already made.

- **Can you demonstrate how HMR has leveraged both public and private funding into your pathfinder area and thoughts on increasing the ratio between HMR and private sector funding?**

The gross complementary and match funding achieved through HMR and Growth is £1.161bn. This includes the Decent Homes Programme, NAHP, Building Schools for the Future, RDA investment, Highways Infrastructure, investment in the development of Gateshead and Newcastle Colleges.

This establishes total public and private sector leverage attracted to HMR and Growth programmes in 2002-09 of £116.7m. In addition to this, reflecting our recognition that we need to address wider issues such as health, crime and education, and resulting from our place based reviews we have attracted an additional £1,044.9m of complementary funding in this period.

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In the future the amount of private sector investment levered into our programme will rise significantly, largely as a result of our previous investment, partner procurement and site preparation across our priority areas that include key regeneration sites in Gateshead, at Walker Riverside and in Scotswood in the West end of Newcastle. We are entering into our long term strategic partnerships with private sector partners, this approach will capture future increases in value resulting from our investment and ensure long term private sector investment streams.

As a consequence of this investment approach we are expecting at least £530m of private sector investment as a direct result of our investment in these priority areas. We will continue with our place based approach to ensure that the necessary complementary investment is in place to ensure comprehensive regeneration.

Our ability to continue to achieve high rates of leverage in the future is based on the current investments we have made in land assembly related to our Public Private Partnerships, the Joint Venture in Gateshead (19 sites), Scotswood LHC and Walker Riverside. Our current levels of investment in land assembly in these places will result in an increased ratio between HMR and private sector funding in the future. This investment approach enables us to recycle public sector investment and draw in longer term private sector funds.

We are actively reviewing existing capital receipts and will discuss with the HCA Region how to make best use of them in the context of future HCA investment.

We will use our Growth funding to support future conditions for sustainable housing growth and investment. These relatively low levels of funding in the infrastructure, eg Ouseburn Barrage, will bring forward relatively high numbers of homes (in the case of the Barrage, 200 new homes).

We continue to develop our processes of Strategic Review of our Places to quantify, justify and maximise the outcome of the use of resources to ensure our investment goes in at the optimum time to achieve the maximum value. Phasing of investment will be a key part of our Strategy for the future and maximising the investment of the private sector in improvement areas is part of this. We are ideally placed to enable our partners to benefit from other public sector programmes to support our strategic investment, both those generated by the HCA, eg Kickstart and other external wider funding sources.

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- **What is the rationale for continuing post 2011?**
 - **What would be the impact on existing projects if no more funding was available?**

Our work with Glen Bramley, together with our own Housing Market Intelligence, shows that there is a real risk of lack of future investment, further de-stabilising areas, which were improving. The example we used when we met was Walker where, without continued investment, the potential for long term success, will diminish. This risk exists to varying degrees across BNG and reflects the unfinished nature of our business. Despite the current achievements we are not yet at that 'tipping point'. Our research shows clearly that the areas in which we work will continue to need public subsidy up to 2017. In addition all of the areas we work in still have a significant challenge to combat social issues and this is exacerbated by the recession. You will recall that, for example, Walker now has 17% unemployment; the second highest in Tyne and Wear.

- **Can you articulate a wider vision for why we need to continue funding the wider programme which goes beyond ensuring that existing projects are completed?**

Our vision for the future is to continue to contribute to the places of BNG, supporting economic growth by both making places attractive and continuing to work with disadvantaged communities to enable them to benefit. We are uniquely placed to deliver this vision in our sub regional role which ties together place-based renewal and growth with the economic ambitions for NewcastleGateshead through the City Development Company.

Commitments have been made to existing communities and projects do need to complete, however there is also an ongoing requirement to ensure that strategic investments already made in the wider places are not wasted by further decline but supported over the long haul to achieve sustainable housing growth and economic regeneration.

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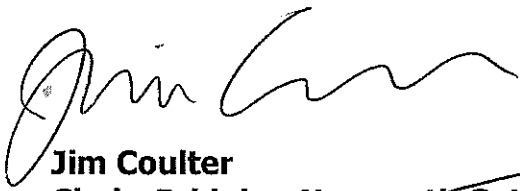
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Finally, let me say how much we appreciated the time you gave to the visit and your obvious interest in and concern for success for the communities with which BNG works and the development of the places in which they live. I look forward to continuing the dialogue about the HMR future at the meeting arranged for 14 December.

I am copying this letter to Pat Ritchie.

With best wishes

Yours sincerely



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Chair, Bridging NewcastleGateshead

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