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| Meeting:         | BNG Board        |
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| Board Action:    | Discussion       |
| Sensitivity/FOI: | <b>Public</b>    |

## Item 5 - Communities and Local Government (CLG) Evaluation of the HMR programme

### Summary Report:

This report highlights the key findings of an overview and six more detailed reports covering various areas of work carried out by Housing Market Renewal Pathfinders.

Most of the information in the reports relates to evaluations carried out in 2007, supplemented with the findings from other more recent pieces of work.

### Headlines

- The HMR programme has developed over its life time in terms of organisational process and programme delivery.
- It is thought that regeneration activity will continue to go to places with clear long-term plans, who are committed to partnership and local leadership, value the private sector and are innovative, flexible and efficient.
- The report highlights the threat of uncertainty over funding allocations from CLG, concluding that short-term allocations impede strategic planning.
- From 2003/04 to 2006/07, HMR funded activity included 10,133 demolitions, 369 new builds, (as well as 835 new builds on land made available by clearance) and 37,571 refurbishments.
- Average house prices in Pathfinders have risen by 70.2% 2003-2007 across all the areas. However data suggests that the Pathfinder areas still have a higher amount of low value sales compared to regional averages.
- There are significant signs of progress 2003-2007 but despite favourable economic conditions during the period, gaps remain with both regional and national averages. This may be due in part to the long term nature of the programme and time lags between interventions and outcomes.
- A more consistent means of monitoring impact across all Pathfinders is required.
- Professor Michael Parkinson concludes that the financial model underpinning regeneration has been challenged, with the banks and investors expected to be risk averse and reluctant to invest for some time.
- Therefore, it is suggested that the public sector needs to maintain activity and ensure policies around other public projects are aligned with regeneration aims. There is support for the idea that the public sector should play a larger role in investment in long term regeneration, sharing both the risks and the rewards.
- The high national profile of the HMR programme was seen as a reassuring and powerful force in drawing developer interest to otherwise unattractive areas.
- However, in 2008, Professor Ian Cole reported that developers were being more selective in their choice of sites, especially in Pathfinder areas which are perceived to carry more risk. The recession affecting the wider housing market, including falling

sales volumes, falling prices and difficulties in accessing credit, has also impacted in Pathfinder areas.

- Community cohesion was highlighted as an area needing more work for three reasons. First, the housing market decline that Pathfinders are charged with tackling can be directly associated with poor community relations and the consequent unpopularity of particular neighbourhoods. Second, ongoing problems and tensions between different groups can undermine the success of Pathfinder efforts to transform local neighbourhoods. Third, the changes wrought by HMR might result in population changes that serve to raise tensions.
- Restrictions on revenue funding can be argued as limiting the role that Pathfinders can play in directly addressing community cohesion concerns.
- Both the NAO and PAC reports made recommendations to ensure communities fully understand proposals and community support is monitored and reappraised at all stages as plans develop.

### **Looking ahead**

The programme has moved forward significantly since the main evaluation work was carried out, despite the recession and BNG and the other Pathfinders are currently gathering evidence of impact to date for the Homes and Communities Agency.

Arrangements for the release of the remaining 10% allocation for 2010/11 will be determined by HCA in conjunction with CLG and Pathfinders before the end of calendar year 2009.

**Recommendations:** The Board is asked to note the findings of the reports and highlight any areas for further action.

### **Implications:**

As the report is generally positive there are perceived to be any negative implications.

### **Consultation:**

Not applicable

### **Risk:**

Strategic:

Financial:

Development:

Operational:

Reputational:

A media release was prepared to respond to any queries relating to the reports to support our good reputation to date. There are no other potential risks as a direct result of the documents.

**Report to:** BNG Board, 20 November 2009

**Subject:** Communities and Local Government Evaluation of the HMR programme

**Agenda Item:** 5

## 1. INTRODUCTION

This report highlights the key findings for several related reports covering various areas of work carried out by Housing Market Renewal Pathfinders. The reports were published by Communities and Local Government in October 2009.

The papers use evidence from a variety of sources including:

- Primarily, outputs from the national evaluation of HMR programme commissioned by CLG between 2003 and 2007.
- The National Audit Office report on the HMR programme (November 2007).
- The House of Commons Public Accounts Committee (PAC) report published in June 2008.
- Housing statistics collated by CLG as part of the English House Condition Survey.
- A report by Professor Ian Cole providing an updated picture of the HMR Pathfinder areas.
- A report by Professor Michael Parkinson on the impact of the credit crunch.
- 2007-2008 housing market data collated by CLG.

The work considers the Pathfinders as a movement. The evaluation aims to assess the extent to which the programme is meeting its national objectives and establish its wider impact, as well as drawing out lessons and good practice.

A reminder of the programme objectives, as set out in 'Sustainable Communities: Homes for all':

- To reconnect Pathfinder areas with neighbouring functioning housing markets.
- To close the gap between the level of vacancies and house values in Pathfinder areas by a third compared to their regions.
- To eradicate the problems caused by low demand by 2020.

Funding-wise, the nine original and then additional three areas of wider low demand will have received more than £2.2bn 2002-2011 (assuming 100% 2008-11).

The report confirms that arrangements for the release of the remaining 10% allocation for 2010/11 will be determined by HCA in conjunction with CLG and Pathfinders before the end of calendar year 2009.

## 2. FINDINGS FROM THE REPORTS

### 1. Policy alignment and partnership working in HMR Pathfinders – including lessons learnt

- All Pathfinders have recognised the wider strategic context within which they operate and have actively sought the engagement of other agencies (transport, education and the economy) to ensure alignment and achieve shared objectives.
- There is potential for shared intelligence, joint planning and inter-agency delivery/protocols. An opportunity to promote this may be introduced through multi-area agreements, which will further enhance cross boundary partnerships.
- The ability to utilise HMR programme funding in a flexible way provides an opportunity to further contribute to partner agency objectives. There is also potential for the Pathfinders to establish further links with neighbouring, functioning markets to improve local market activity.
- Most Pathfinders have retained a brand independence from local authorities which in general has had a positive impact on local perceptions of the HMR programme.
- The report highlights the threat of uncertainty over funding allocations from CLG, concluding that short-term allocations impede strategic planning.
- Both the NAO and PAC reports made recommendations to ensure communities fully understand proposals and community support is monitored and reappraised at all stages as plans develop.

There were a number of positive references to BNG:

- The budget for delivery partners to request grants for creative community engagement to reduce the risk of participation fatigue.
- The strategic reviews of intervention areas to ensure investment is targeted and aligned with areas where complementary neighbourhood activity is taking place.
- Our membership of area governance boards.

Useful best practice examples include:

- RENEW have established developer agreements to use local labour and supply chains and promote training opportunities for young people as part of the city waterside development.
- Urban Living has thematic targets covering employment, education, community cohesion, crime and heritage that are agreed by a Collaborative Board of regional, sub-regional and district level partners, who provide high level leadership and vision for the Pathfinder and secure the integration of complementarity. The Board also set up an Employment, Enterprise and Skills Task Group (EESTG), in order to display the role that employment can play in the delivery of sustainable communities.

### 2. Programme achievements and ...

### 3. Wider performance measures

- With strong Government support the programme has produced effective policies and programmes for the restructuring of markets; in spite of a hostile external climate.
- Pathfinders have developed their skills in consulting and taking on board the

views of existing residents and in working with private sector developers to maximise the level of private investment.

- The programme has remained substantially on track with no single Pathfinder standing out in terms of under-performance.
- The evaluation suggests that the original objectives of restructuring housing markets to adjust to and support changing economic structures remain relevant particularly with recent changes in prices and in demand.
- Pathfinders were delivering outputs that, on the surface, would address both quantity and quality concerns in their local markets.
- Pathfinders have brought about large scale improvements through refurbishments.
- Planning reforms PP3 and the housing green paper hold opportunities and threats for Pathfinders. There have been signs of 'recentralisation'.
- There is an opportunity for Pathfinders to widen the housing offer to complement these trends, particularly by focusing on quality.
- Given recent changes, it is crucial that the Pathfinders continue to evolve their programme to meet changing market circumstances and to make the best use of the resources available to them.
- Over the next 5 years, the contribution of the programme and its impact on the reversal of long standing trends of decentralisation and polarisation in cities and urban areas, plus a changing housing market context will test the approach and its sustainability.

Recommendations for ensuring future delivery include:

- There are issues that will dominate the programme in the next phase. For the new communities that are being created – who are the Pathfinders building for, what can be afforded, how do they ensure quality alongside affordability?
- As the programme shifts new demands are being placed on Pathfinders shifting more to negotiating develop agreements. This can pose a challenge in terms of skills to negotiate the best deals.
- Diverse and challenging skills are likely to become increasingly prominent in the future – entrepreneurial capacity and effectiveness in dealing with the private sector agents and companies.

The report highlights that Pathfinders have clearly worked hard to improve their own local sources of **housing market intelligence**.

### ***Vacancy levels***

- Pathfinder areas had, in some cases, exacerbated vacancy levels in the short-term as houses had been vacated in advance of demolition or refurbishment.

### ***House prices***

- In most cases, the proportion of sales below regional 5<sup>th</sup> percentile prices reduced 2002-2007; for BNG this was from 10.1% to 4.9%, by far the lowest of any Pathfinder. Correspondingly, BNG house prices were 92% of regional prices in 2006 compared to 69% in 2002; most Pathfinders are 52-75% of regional figures.
- Prices were boosted by high buy-to-let demand in some Pathfinder areas 2002-2007; this is believed to be linked to the level of net migration into areas from people previously living abroad. For example, the PAC report suggested that in

some areas speculative purchases added to the already transient nature of the communities as they are priced out of the area, and led to estimated additional costs of £50 million in implementing the programme due to higher land and property acquisition costs.

### ***'Difficult to let'/low demand properties***

- Housing Strategy Statistical Appendices (HSSA) returned by Pathfinder local authorities show a substantial decrease in the proportion of social rented properties classed as difficult to let across the Pathfinder areas between 2002 and 2008 (with the exception of one). All Pathfinder districts also reported a decrease in the percentage of properties defined as in 'low demand' between 2002 and 2008, although the extent of the decrease varied between areas. For example, in Bridging NewcastleGateshead, the rate dropped from 32.7 per cent in 2003 to 6.5 per cent in 2008, compared to a drop from 19.7 per cent in 2003 to 1.9 per cent in 2006 in Urban Living (Birmingham-Sandwell) Pathfinder.

An overview of the tables showing various indicators for the different Pathfinders shows that BNG:

- Has remained 'middle ranking' in terms of difficult to let homes at district level.
- Has improved relatively more than some other areas in terms of vacancy levels (district level data used); in common with other Pathfinders this is largely in the social sector at present.
- The gap in BNG vacancy rates and the region had increased very slightly 2002-2006 (middle ranking).
- BNG sales below the regional 5<sup>th</sup> percentile in 2007 were on par with the region; the only Pathfinder in this position. The North East Aspirations study (2006) demonstrated that there is a 'Newcastle' effect that creates a premium on prices in a relatively low priced region. The 'Buy to Let' report for CLG (2007) questioned the sustainability of house price increases unless they were accompanied by action to improve neighbourhoods and the wider environment.

There were a number of recommendations for future data collection and analysis to improve the understanding of the impact the programme is having:

- Future evaluation of the HMR programme should focus on its impact on housing markets as it is impractical to measure the impact of the programme on wider aspects of sustainable communities.
- A core set of indicators is required, which can be supplemented by others which are of relevance to some Pathfinders but not others. Evidence on changes to these indicators is best produced at local level.
- Results will need to be carefully interpreted e.g. indicator of economic progress to assess whether these benefits are reaching Pathfinder residents.
- Number of selected indicators should be as small as possible in order to minimise the workload in collecting this data.
- In some cases there is no realistic prospect of obtaining data below district level; although it may be appropriate for those having a wider market impact.
- Useful to have regional figures for any indicators collected.

### ***The recent picture: implications of the recession***

- Reports indicate that the trends effecting the wider housing market – a falling volume of sales, falling prices and land values, difficulties for buyers and developers accessing credit, an increase in repossessions and a slow down in

development - may be more severe in Pathfinder areas.

- However, some schemes were going ahead unaffected, particularly where developers have long-term aspirations, where credit was arranged before the recession or there were pre-lets for projects so the risk to financial institutions in lending to developers is lower.
- By 2008 however, Professor Ian Cole indicated that some areas were struggling to attract private developers who were becoming more selective in choosing sites and cutting back on higher risk schemes in low value, more fragile localities. The PAC report concluded that there was a risk that the programme's legacy will be demolition sites, rather than newly built homes.
- Professor Michael Parkinson concludes that the financial model underpinning regeneration has been challenged, with the banks and investors expected to be risk averse and reluctant to invest for some time. Therefore, it is suggested that the public sector needs to maintain activity and ensure policies around other public projects are aligned with regeneration aims. There is support for the idea that the public sector should play a larger role in investment in long term regeneration, sharing both the risks and the rewards. It is thought that regeneration activity will continue to go to places with clear long-term plans, who are committed to partnership and local leadership, value the private sector and are innovative, flexible and efficient.

#### **4. Value for money issues and the evaluation of the HMR Pathfinder programme**

The object of this report was to "provide a framework for value for money assessment of the HMR programme and to indicate where groundwork is required to ensure that the required evidence is in place, rather than to draw definitive conclusions".

Five 'case study' Pathfinders were selected which were felt to be broadly representative of the programme as a whole in terms of the range of housing market renewal problems they were seeking to tackle, the mix of housing renewal activity, the governance arrangements in place and the number of local authority partners. The five case study Pathfinders were: BNG, Transform South Yorkshire, Renew North Staffordshire, Manchester Salford Pathfinder (MSP) and Oldham Partners in Action. The Pathfinders have not been individually identified; they are referred to as Pathfinders A to E, to illustrate the value for money provided by the programme, and to highlight areas where further data or analysis is needed, rather than to draw firm conclusions about individual Pathfinders.

The report highlights significant shortfalls in information available related to the scale of complementary funding associated with the direct HMR funding. It also recognises that the timescale they looked across (2003 – 2008) is an early stage of a long term programme.

The main recommendation was that the HMR programme would benefit from a consistent database system and accompanying data collection procedures, covering the following:

- The consistent use of 'projects' as the key units of measurement, within wider thematic or area programmes as necessary.
- The use of a programme-wide set of activity codes, so that analysis of projects

can cluster similar projects together, to aid analysis of costs and benefits.

- Comprehensive take-up of geographical coding of projects so every project is tagged to key geographical priority areas if they are not of a more thematic, cross-programme nature.
- The tracking of both historic and future expenditure on each project, per financial year.
- The systematic accounting of historic and planned leverage from other public sector and private sector sources, including a clear distinction between direct leverage and complementary leverage at the project level.
- The capture of a more broadly based set of output measures for each project reflecting both the historic picture to date and planned outputs.
- A clear framework for determining output achievement to date, lifetime output achievement from spending to date, and lifetime achievement from all predicted project expenditure now and into the future.

The Pathfinder Directors are working with the HCA to determine how best to take these recommendations forward.

## **5. HMR and private sector developers**

- Following initial concerns that joint working with developers was limited, and that the underlying objectives of Pathfinders and local authorities on one hand, and developers on the other, would inevitably lead to tension, there is now more optimism that productive and long-term relationships are developing.
- The development of partnering arrangements is seen as a key element in maximising long-term support for the programme and in getting developers engaged in the more strategic planning for the future of the areas undergoing redevelopment.
- The key factors are the experience (and self-confidence) of the Pathfinder and its constituent local authorities in handling developers and leading them through the complex funding, legal and consultation maze of large scale remodelling schemes, and the tightness of the wider housing market.
- The crucial determinant is likely to remain the range of options open to developers to work elsewhere, in more 'straightforward' contexts than HMR. Where these are restricted, and overall housing demand stays relatively strong, the freshly minted relationship between HMR teams and key developer partners is more likely to endure.
- The high national profile of the HMR programme was seen as a reassuring and powerful force, plus the prospect of continued public sector funding, insulating against undue risk, had a marked impact on developer interest.
- Past success in large-scale regeneration was a clear incentive for developers concerned about risk.
- NewHeartlands and Manchester Salford Pathfinders were highlighted for their success in drawing developer interest to the HMR programme overall and in exemplifying value for money and good practice that others could follow and learn from. They were also more advanced in building on existing links with large developers with experience of urban regeneration.

## **6. HMR and community cohesion**

- Report based on evidence including more detailed discussions in four case study

Pathfinders (Renew North Staffordshire, Urban Living Birmingham & Sandwell, Elevate East Lancashire and Partners in Action Oldham and Rochdale).

- There was found to be a limited understanding about what community cohesion is among Pathfinder officers and what Pathfinders should be aspiring to achieve. There was also limited awareness about how to assess and monitor community cohesion and how cohesion might be achieved and maintained through housing market renewal.
- Limited mix or segregation reflected restricted choices and that greater mix would be forthcoming if residential choices (particularly of minority ethnic households) were extended.
- Pathfinder officers were of the opinion that HMR represents a significant opportunity to address the inequality and disadvantage in housing and neighbourhood choices. However, it appeared that the examples cited did not form part of a co-ordinated response to community cohesion issues.
- Pathfinder officers were typically able to provide a detailed overview of the area and dynamics of change and localised tensions, but such insight was more often based on anecdote and first hand accounts, than rigorous analysis.
- All Pathfinders were able to point to efforts made to improve understanding and awareness of the diverse situations and requirements of different groups living within their area.
- The absence of any institutional infrastructure supporting the pursuit of community cohesion was found to undermine information sharing and collective learning about local challenges and relevant responses.
- Bridging NewcastleGateshead had commissioned research exploring attitudes to particular neighbourhoods among different ethnic groups and revealing potential barriers restricting access to the new housing opportunities being developed within these neighbourhoods. This had led to the production of a geographically sensitised strategy for promoting cohesion through HMR.
- Research and analysis predicting points of tension and conflict where intervention will be required was less apparent amongst the Pathfinders.
- The mechanisms and processes of community engagement and participation in the HMR programme were identified as having the potential to promote community cohesion in two key ways:
  - Fostering a shared understanding and a common sense of purpose and vision and assisting with the development of strong and positive relationships between people within local neighbourhoods.
  - Assisting with efforts to ensure that the diversity of peoples' different backgrounds and circumstances are appreciated within the renewal programme.
- Community relations are also an immediate concern for HMR, for at least three reasons.
  - First, the housing market decline that Pathfinders are charged with tackling can be directly associated with poor community relations and the consequent unpopularity of particular neighbourhoods.
  - Second, ongoing problems and tensions between different groups can undermine the success of Pathfinder efforts to transform local neighbourhoods.
  - Third, the changes wrought by HMR might result in population changes that serve to raise tensions.
- Most Pathfinders pointed to the ways in which new development and/or stock renewal activities were recognising and seeking to deliver on this potential.

Reference was made, for example, to issues relating to the location of new developments, site layout and the mix of stock, design considerations, including sensitivity to cultural preferences and requirements, and specific room by room issues.

- Restrictions on revenue funding can be argued as limiting the role that Pathfinders can play in directly addressing community cohesion concerns.

### 3. **RECOMMENDATION**

The Board is asked to note the findings of the reports and highlight any areas for further action.