



National Audit Office

**DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT**  
Housing Market Renewal

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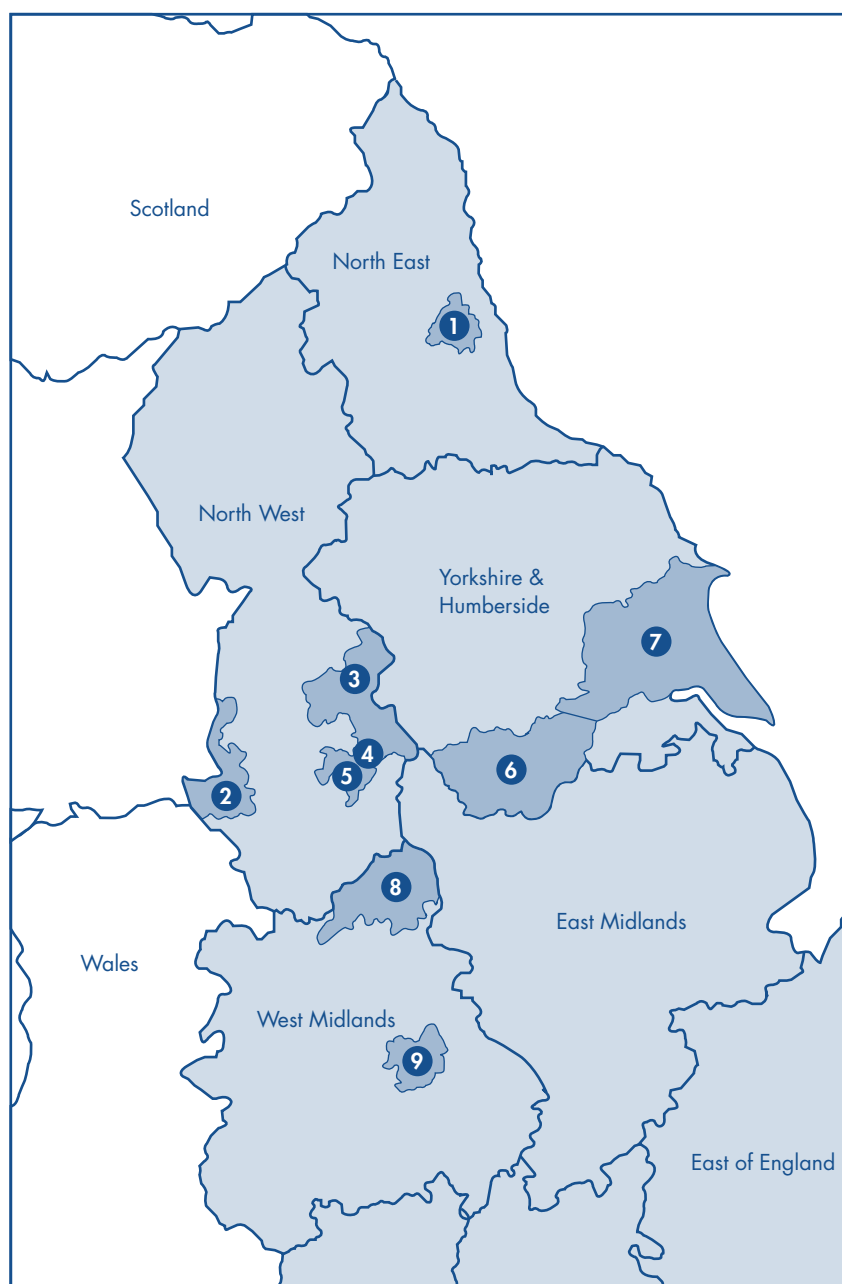
# SUMMARY

**1** In 2002 the Government established the Housing Market Renewal programme to tackle the problems of neighbourhoods with acute low housing demand in the North of England and the Midlands. In such neighbourhoods the high concentrations of properties difficult to let or sell, the loss of population and the inability to attract new households had created a vicious circle of neighbourhood decline and deprivation.

**2** The Government believed new administrative structures and funding streams were needed to achieve the scale of change required and helped to establish nine new sub-regional partnerships or “pathfinders” made up of central, regional and local stakeholders,

covering neighbourhoods in Newcastle and Gateshead, Oldham and Rochdale, East Lancashire, Hull and East Riding, South Yorkshire, North Staffordshire, Merseyside, Manchester and Salford, and Birmingham and Sandwell (**Figure 1**). Recognising that these different areas faced different local circumstances, the Government allowed these bodies considerable freedom in determining their approach to tackling the problem of low housing demand, in the expectation that local people were better placed to identify the problems with their local housing markets and the solutions required to address them.

## 1 Housing Market Renewal Pathfinders



- English region
- Local authorities involved in pathfinders. Areas of pathfinder intervention are smaller

- 1 Newcastle Gateshead (Bridging NewcastleGateshead)
- 2 Merseyside (NewHeartlands)
- 3 East Lancashire (Elevate)
- 4 Oldham and Rochdale (Partners in Action)
- 5 Manchester Salford
- 6 South Yorkshire (Transform)
- 7 Hull and East Riding of Yorkshire (Gateway)
- 8 North Staffordshire (Renew)
- 9 Birmingham & Sandwell (Urban Living)

Source: National Audit Office

**3** In its 2003 Sustainable Communities Plan the Government stated that turning around the areas covered by the Housing Market Renewal programme would require a long-term commitment, and expectations are that the programme will run in total for between ten and 15 years. The role of the Department for Communities and Local Government (the Department) is to provide strategic leadership for the programme including setting targets and monitoring performance. This role is expected to transfer to the Homes and Communities Agency from 2009.

**4** Unlike many previous types of regeneration intervention, the Housing Market Renewal programme aims to renew neighbourhoods by changing the housing market itself – by altering radically the housing stock to attract people and businesses back to the areas involved. However many different factors affect local housing markets, not just the nature and availability of housing supply. These include national and local economic performance and employment opportunities, demographic trends, investor confidence and the quality and availability of local public services and amenities such as good schools and transport links. Pathfinders have little direct influence over these factors and have to work in partnership with a complex chain of regional, sub-regional and local bodies to align regeneration investment.

**5** Pathfinders have helped to provide capacity and focus to understanding and addressing housing market issues, while, at the same time, having to manage both the risk of tension with local authorities' statutory role in planning and community leadership, and also the risks that plans to build new homes in the wider regions could threaten their efforts to restructure housing markets in their own areas.

**6** The Department of Communities and Local Government and its predecessor have committed £1.2 billion to the programme between 2002 and March 2008, and has allocated a further £1 billion between April 2008 and March 2011. By March 2007 pathfinders had used £870 million of this funding to deliver 40,000 refurbishments, 10,000 demolitions and around 1,000 new properties.

**7** The demolition element of the programme has been controversial and can carry particular value for money risks where the acquisition of old properties, clearance of sites and development of new homes is more expensive than the refurbishment of existing properties. There is also the potential, in the short term, for greater levels of stress for existing communities and increased environmental deprivation. However, clearance does allow for the disposal of vacant properties that can often be a magnet for crime as well as for an expansion in the range of different house types available in an area, in a way that simple refurbishment does not.

**8** The severity of the problems in the areas selected for pathfinder status meant that the Department believed it important that action should be taken quickly once the programme had been announced and therefore made £25 million available to help develop early plans. The need to make early progress to counter the cycle of decline and to spend the first allocation of £500 million meant that a number of schemes were started before pathfinders put in place the type of regeneration master plans, community engagement and heritage assessments which were subsequently developed later in the programme.

**9** While the opportunity for change is welcomed by many residents, engaging local communities in the renewal plans for their neighbourhoods can be challenging for pathfinders since, by considering housing markets at the sub-regional level, they are starting from a more top-down approach compared to other recent regeneration initiatives which put the local community more in the driving seat of developing and owning the improvements. All the pathfinders have developed community engagement strategies, establishing various mechanisms for resident participation and community consultation. All the pathfinders claim majority support for their proposals. However, we found that in areas planned for demolition and where vibrant communities still exist, having an extensive community engagement programme in place is not enough. The way this programme is implemented is crucial in gaining and maintaining community trust and support for the plans, both of which determine levels of community tension and stress. We have developed a set of key principles which should underlie future pathfinder engagement with local communities. These principles are set out as part of our recommendations below.

**10** Pathfinders have revised their plans in light of their early experiences. Originally the pathfinders planned to demolish some 90,000 properties in the period from 2003 to 2018. Demolition proposals have since reduced by over one third to some 57,100 properties over the same period, and these figures continue to be reviewed regularly. The reduction in the extent of demolition reflects a range of factors, including greater knowledge of local housing markets, changes in these markets and pathfinders focussing on a smaller number of intervention areas in line with the available funding. Acquisition for demolition is also now more expensive than when plans were originally drawn up and, in some areas, the views of the local community and particular heritage issues have also contributed to the reduction in the number of planned reductions. The pathfinders plan to commission some 67,600 new homes that they believe will be better adapted to the needs of the community and there will be a net reduction in housing in just three of the pathfinder areas.

**11** The Department's 2005 performance targets require the pathfinders to close the gap in vacancy rates and in house prices between pathfinder areas and their respective regions by one third by 2010. We found that progress against these targets varies considerably between different pathfinder neighbourhoods. We also found that the housing markets in local authorities chosen for pathfinder intervention have, on the whole, performed better than in local authorities without pathfinder intervention which also had the most similar problems of low demand although on a lesser scale. While this seems to indicate therefore that the programme is having a positive impact, it is not possible to identify the extent to which changes in local housing markets are the direct result of pathfinder activity as there may be many other factors at work.

**12** Pathfinders' interventions have inevitably in some cases exacerbated low demand problems in the short-term as houses have been vacated in advance of demolition or refurbishment. In some areas speculative purchases by private sector landlords have added to the already transient nature of the communities in many of these areas, contributing to tenancy turnover of 30 per cent in some cases and a reduction in the stability of the areas.

**13** The majority of the £2.2 billion committed to the programme is to fund capital expenditure on housing, with agreed limits placed on the amounts that pathfinders can spend on revenue costs. Some pathfinders now consider

that these agreed limits are insufficient to allow them to undertake to the extent that is required activities such as community engagement, neighbourhood management, and support to individual households, which ameliorate the programme's impact on communities as properties are emptied and demolition and construction work begins. Other pathfinders, however, have not had such problems.

**14** The Government has continued to emphasise the importance of the Housing Market Renewal programme and announced in October 2007 its intention to invest around £1 billion in the programme over the period 2008 to 2011. However, before this announcement a lack of clarity about the long-term financial commitment to the programme has weakened local delivery.

## Overall Value for Money Conclusion

**15** Housing Market Renewal is a radical approach to addressing the problems of neighbourhoods which have suffered long-standing deprivation. It is also a high risk approach. Five years in and with £2.2 billion committed, low demand is now less severe in pathfinder areas, the gaps between these areas and their surrounding regions have started to close and there have been clear physical improvements in many neighbourhoods. However, the extent to which pathfinders' intervention itself has led to the improvement in the problems of low demand is unclear, and while intervention has improved housing conditions for some, for others it has led to heightened stress. And there is no guarantee that intervening in the housing market in this way will address the causes rather than the symptoms of the problems experienced in these neighbourhoods.

**16** It is too early to judge the overall success of the programme as it is expected to run for a further ten years. However if the programme is to justify the additional value for money risk and community stress of its housing market-led approach and achieve its long-term objectives, the Department needs to provide greater certainty and clarity over the future objectives and governance of the programme. We make recommendations to this end below.

## Recommendations

In order to achieve a sustained renewal of housing markets, the Department needs to ensure its Housing Market Renewal programme not only fits well within the developing regional and local spatial, economic and housing plans, but also that it complements other regeneration initiatives. And to achieve the renewal more quickly and with less friction, the right delivery structure and performance framework need to be put in place together with the right kind of community engagement strategy implemented in the right way at neighbourhood level.

Below we make nine recommendations to enable the Department and its delivery bodies to maximise their chances of success. This can be done by streamlining delivery, targeting funds more tightly, improving the measurement of performance and reducing community stress.

### Streamlining delivery

- 1 In the light of the new responsibility of local authorities to develop local housing market assessments and the use of multiple area agreements to provide central government funding to initiatives that cross local authority boundaries, the Department should clarify the arrangements for the delivery of the Housing Market Renewal programme in the future.
- 2 The Department should clarify the role of the Government Offices in helping to support regional delivery and in ensuring integration of the programme with other area-based initiatives and funding streams. The Department should establish clear terms of reference for both the Government Offices and the central Department which set out their relative responsibility for the leadership, oversight and monitoring of the programme and its delivery at the local level.

### Tighter targeting of resources

- 3 The Department should be clearer about its expectations for the Housing Market Renewal programme's contribution to delivering non-housing regeneration, such as better schools, transport links and neighbourhood management, which also contribute to improved housing markets, and should develop guidance so that local delivery partners can draw up protocols to clarify responsibilities and accountability.
- 4 The Department should continue to assure itself that Housing Market Renewal demolition schemes are based on a robust and up-to-date market analysis, supported by master planning and a heritage assessment.
- 5 The Department should clarify how the Housing Market Renewal programme is expected to achieve alignment with regional strategies under its revised plans for higher housing growth in the North and Midlands.

### Improved measurement of performance

- 6 The Department should further develop the performance framework, including value for money indicators, for the programme so that it better measures the outcomes for which those delivering the Housing Market Renewal programme can be held accountable. This framework could draw on the range of socio-economic indicators already being developed by a number of pathfinders. Any new performance framework should include a measure of the satisfaction levels of those residents affected by the programme. The Department should actively seek to promote the dissemination of good practice between pathfinders.
- 7 Future Departmental evaluations of the programme should allow for comparison of outcomes between low demand areas subject to Housing Market Renewal intervention and those low demand areas that are not.

### Reducing community stress

- 8 Pathfinders should aim to follow the key principles set out in [Figure 2](#) in their future engagement with communities.

## 2 Key principles that should underlie engagement with communities in Housing Market Renewal neighbourhoods

The pathfinder and its partners should:

- 1 Ensure proposals and plans for intervention are based on detailed assessments of:
  - the structural condition and heritage value of the housing targeted for demolition;
  - the residents' own views of the problems that face them; and
  - the 'vibrancy' of the community, for example, by a systematic measurement of its social capital.
- 2 Ensure the community fully understands what the proposals are and why they have been drawn up, by ensuring that:
  - the independent reports are open and available for examination by the community for some weeks before formal consultation begins;
  - a residents' representative group is established for the targeted demolition zone, with a committee comprising street representatives from each street in the zone, with a clear remit to change proposals if necessary;
  - all minutes, reports and surveys during the consultation process should be made available in easily accessible formats: for example, on a newly established website; in an office on site; or by post;
  - public meetings are run by an external facilitator, with sessions held covering the same agenda at different times for maximum accessibility – for example, during the day, in the evening and at weekends;
  - there is active and visible presence of neighbourhood officers from the pathfinder and its partners; and
  - clear feedback channels, with response from the pathfinder and its partners to all feedback, are established.
- 3 Gauge community support at all stages as plans develop or change:
  - surveys should be of residents in demolition zones and should be carried out by independent consultants;
  - survey questions should be:
    - open – using terms that are clear (avoiding euphemisms such as 'redevelopment' or 'regeneration' when what is meant is demolition); and
    - specific – explaining what is being referred to, for example when asking about 'the proposals'.

Source: National Audit Office