



National Audit Office

DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

Housing Market Renewal

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 20 Session 2007-2008 | 9 November 2007

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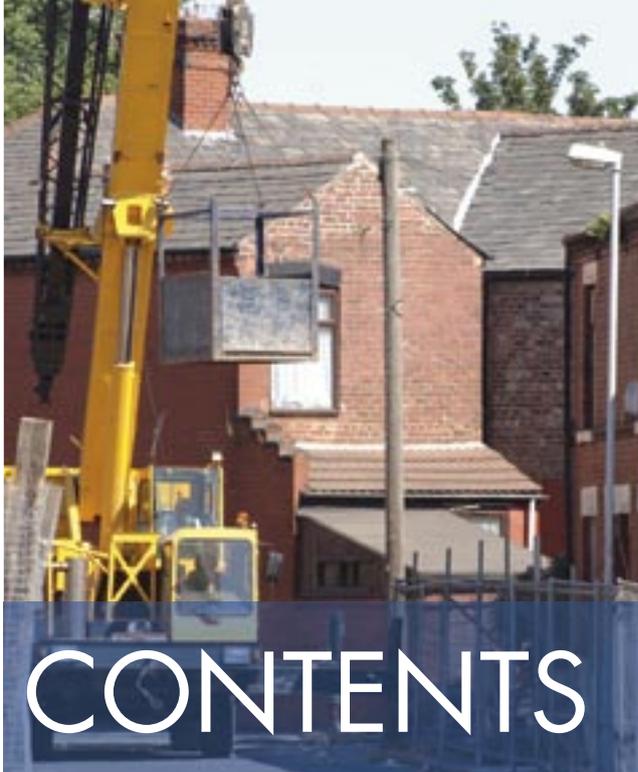


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Housing Market Renewal

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6 November 2007

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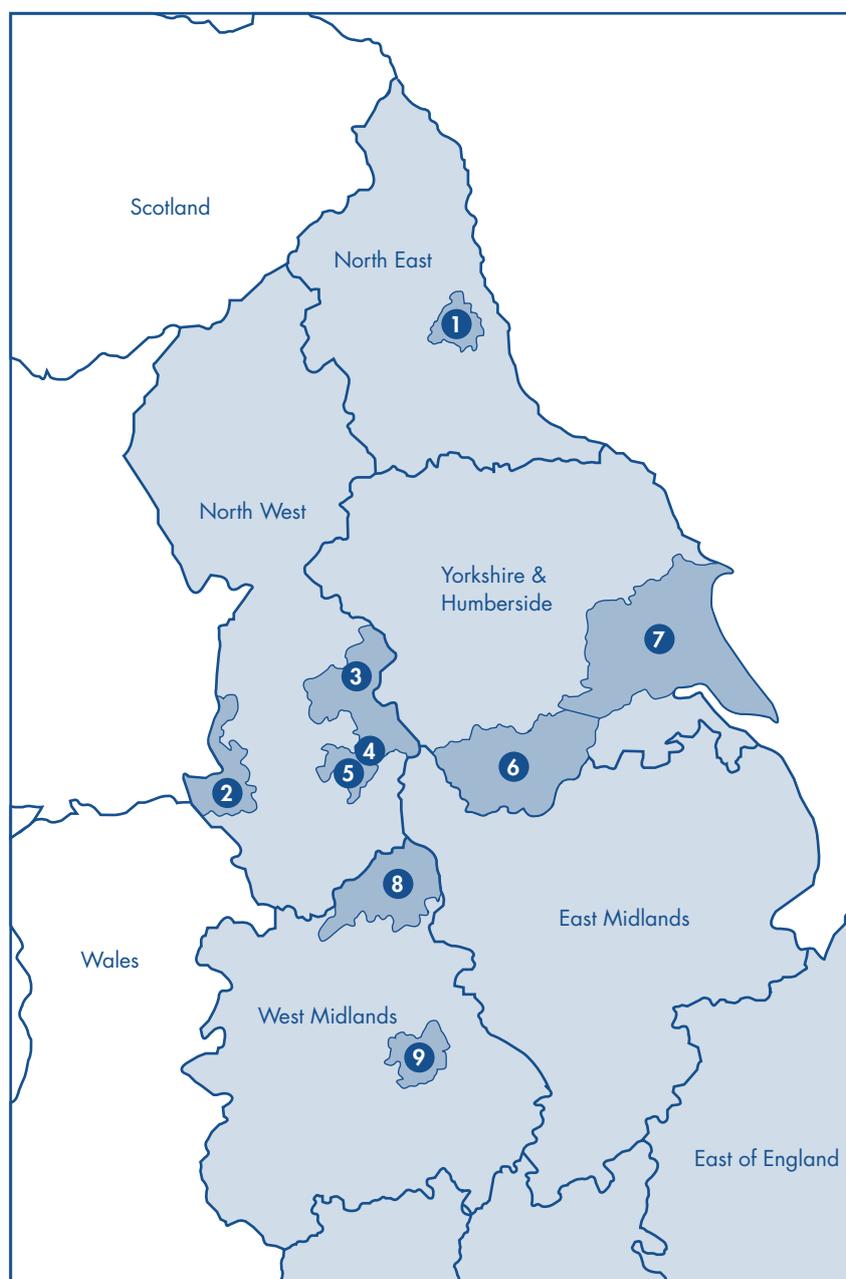
SUMMARY

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



Establishing the programme

The problem of low housing demand in neighbourhoods in the North of England and the Midlands

1.1 From the late 1990s, an increasing body of evidence began to emerge that there was a growing problem of low demand for housing in certain areas of the country. In 2001 the Government estimated that low demand affected around 880,000 homes (about one in twenty in England) in 120 local authorities across England, the majority of which were in the North and Midlands. It defined low demand as occurring when housing is “difficult to let or sell because there are not enough households in [an] area looking for homes”. These houses were therefore characterised by very low prices and/or high rates of vacancy, in comparison with those in neighbouring areas. For example, in 2002 5.6 per cent of the housing stock in Manchester had been empty for over six months, compared with a national average of 1.8 per cent, while in some low demand areas, properties were changing hands for no more than a few hundred pounds.

1.2 Many of these houses are grouped together in clusters, making up whole neighbourhoods of low demand. Characteristics of these areas include:

- A long legacy of decline and de-industrialisation, which has severely weakened their local economies;
- High levels of deprivation, anti-social behaviour and poor facilities;
- Properties in such a state of disrepair that they become impossible to sell for anything but a nominal value, with many properties abandoned;

- A lack of variety in the type, size, and tenure of properties. The properties tend to be either ‘two up, two down’ Victorian terraced houses with little provision for car parking and gardens, or flats and houses within large council estates built between the late 1950s and the early 1970s; and
- A fall in population over a number of years as those households which could afford to do so have moved out. This loss of population and the inability to attract new households, particularly families, to an area creates a vicious circle of decline. With fewer residents living in the area, the viability of local services is undermined, leading to further economic and social dislocation.

The Housing Market Renewal programme

1.3 In April 2002, the Department of Transport, Local Government and the Regions, now the Department for Communities and Local Government (the Department), announced the launch of the Housing Market Renewal programme, with the aim of “tackling the most acute and extensive areas of market failure”. In its 2003 Sustainable Communities Plan the Department stated that turning around the areas covered by the programme would require a long-term commitment, and expectations are that the programme will run in total for between ten and 15 years.

1.4 In its January 2005 housing plan, *Sustainable Communities: Homes for All*, the Department set the programme the objective of eradicating the problems caused by low demand housing by 2020 with an intermediate target to close the gap between those areas worst hit by low demand and the rest by one third by 2010. The Department chose nine low demand areas for the programme and allocated funds of over £1.2 billion to these between 2003 and March 2008 (Figure 3).¹ In October 2007 it announced the commitment of a further £1 billion to the programme for 2008-2011, although it has yet to allocate this sum to different areas. Further details about the establishment of the programme and how these areas were chosen are in Appendix 1.

Delivery of the programme is in the hands of nine pathfinder bodies

1.5 Nine new sub-regional 'pathfinder' bodies were established to prepare strategies and deliver the programme. These operate as partnerships of central, regional and local stakeholders. Each pathfinder has to work with a number of different partners in the public and private sector to deliver its programme and representatives from these bodies often sit on pathfinder Boards (Figure 4 overleaf). The pathfinders' relationship with local authorities is particularly important. Each pathfinder has an accountable local authority which is responsible for overseeing the pathfinder's financial affairs.

3 The nine chosen low demand areas cover 25 local authorities

Pathfinder	Constituent local authorities	Allocated funding 2002-2008 £ million
Bridging NewcastleGateshead	Newcastle City Council; Gateshead Metropolitan Borough Council ¹	134
Elevate East Lancashire	Blackburn with Darwen Borough Council; Burnley, Hyndburn, Pendle, and Rossendale District Councils	168
Gateway Hull and East Riding of Yorkshire	Hull City Council ¹ ; East Riding of Yorkshire Council	53
Manchester Salford Pathfinder	Manchester and Salford ¹ City Councils	224
NewHeartlands Merseyside	Liverpool City Council ¹ ; Sefton and Wirral Councils	190
Oldham Rochdale Partners in Action	Oldham ¹ and Rochdale Metropolitan Borough Councils	122
Renew North Staffordshire	Stoke-on-Trent City Council ¹ ; Newcastle-under-Lyme Borough Council; Staffordshire Moorlands District Council	100
Transform South Yorkshire	Sheffield City Council ¹ ; Barnsley, Rotherham, and Doncaster Metropolitan Borough Councils	161
Urban Living Birmingham and Sandwell	Birmingham City Council and Sandwell Metropolitan Borough Council ¹	95
Total		1,247²

Source: National Audit Office

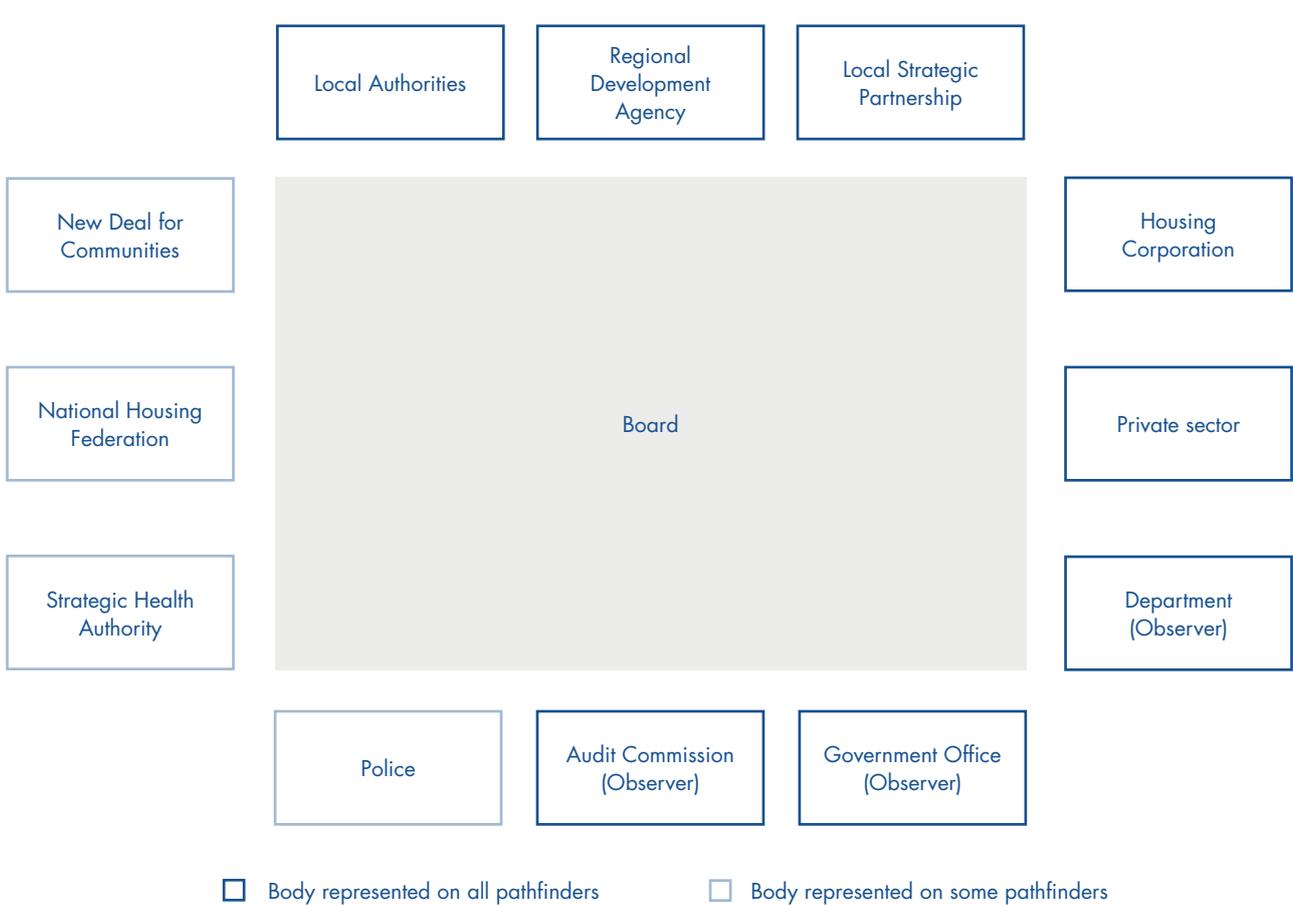
NOTES

¹ Denotes that the local authority is the pathfinder's accountable body. In the case of Elevate East Lancashire, the accountable body is Lancashire County Council.

² The funding allocated includes £25 million advanced from Treasury's Capital Modernisation Fund in 2002-03 to allow pathfinders to prepare their first bids for Housing Market Renewal funds, and £28 million Early Actions funding in 2003-04.

¹ An additional £45 million has been allocated under the programme to three non-pathfinder areas in Tees Valley (£18 million), West Yorkshire (£18 million), and West Cumbria (£9 million) for the period 2006 to 2008. Our examination has focused on the nine pathfinder areas.

4 Pathfinder Boards contain representatives from a number of different stakeholders



Source: National Audit Office

1.6 The Department determined to take a non-prescriptive 'enabling' role for the new programme. Although it worked with the pathfinders to develop the policy framework and required the submission of strategies for its consideration, it allowed the pathfinders considerable freedom in setting these strategies, developing policy and arranging their governance arrangements. The expectation was that local people were better placed to identify the problems with their local housing markets and the solutions required to address them. The interventions in the housing market available to pathfinders are shown in **Figure 5**.

5 Pathfinders' interventions in the housing market

- The acquisition of land and property
- Site preparation and reclamation
- The clearance of surplus and obsolete property
- Assistance with new-build
- Renovation and refurbishment programmes
- Environmental improvements
- Gap funding for new housing for sale
- Award of renovation and environmental improvement grants
- Enhanced neighbourhood management service for neighbourhoods in transition awaiting clearance

Source: National Audit Office

1.7 The role of the Department is to provide leadership and oversight of the programme as a whole, together with its funding through direct grants (**Figure 6**). Funding agreements between the Department and pathfinders set out the types of activity that pathfinders can undertake and the outputs they are expected to deliver with the funding received. The Department proposes to transfer many of its responsibilities to a new body, the Homes and Communities Agency, from April 2009.

Scope and methodology

1.8 This report examines whether the programme is on course to meet its objective of addressing the problems of low demand housing markets in the pathfinder neighbourhoods. Appendix 2 gives details of our methodology.

6 The Department's role in the Housing Market Renewal programme

- Accountable to Parliament for the delivery of the programme as a whole
- Provides strategic leadership for the programme
- Develops general policy for the regions in which the pathfinders operate
- Coordinates cross-government involvement in the pathfinder areas
- Provides direct grant funding to pathfinder bodies
- Sets the framework for pathfinder activity, including target setting
- Provides support to the pathfinder bodies
- Monitors pathfinder performance

Source: National Audit Office



PART TWO

Delivery of the programme

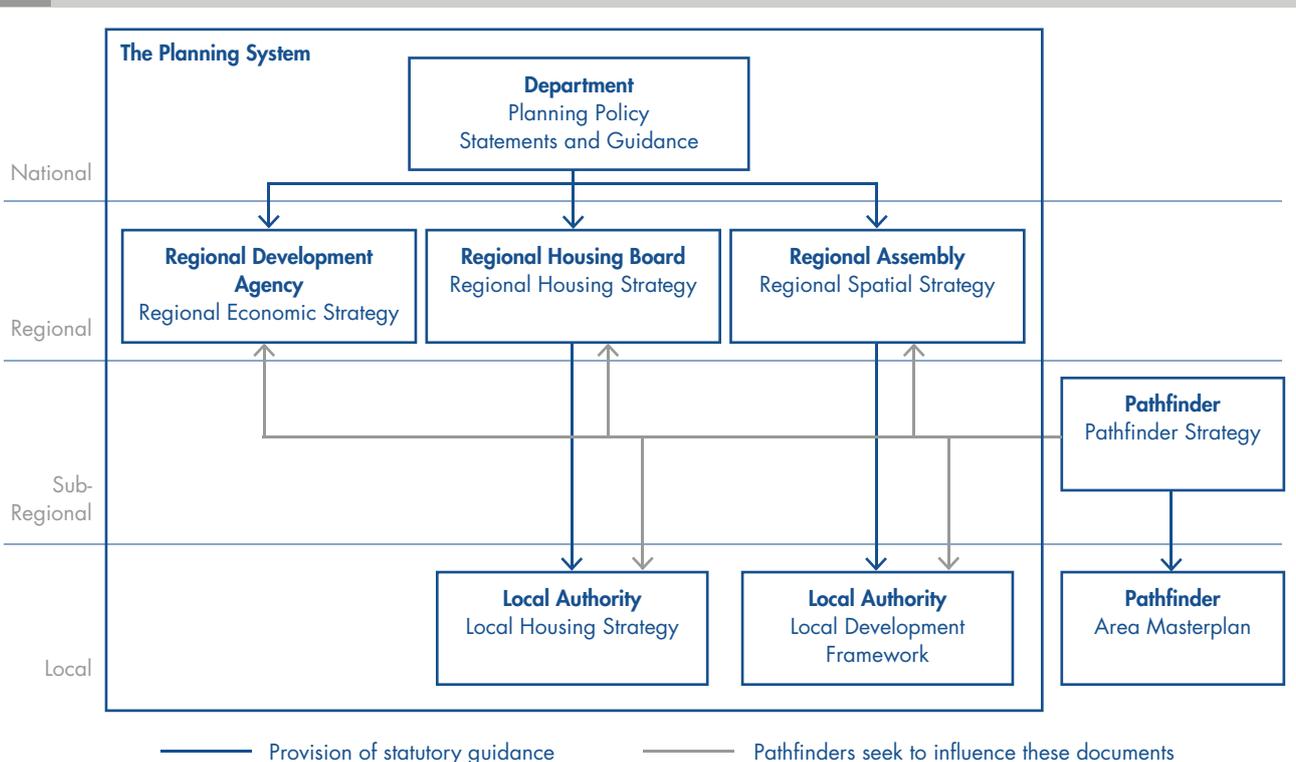
Pathfinders have improved intelligence about local housing markets but a potential lack of alignment with regional housing and spatial strategies poses a risk to the effectiveness of their plans

2.1 The Department positioned the pathfinders at the sub-regional level in recognition of the fact that housing market failure straddled local authority boundaries. However, the pathfinders sit outside the statutory planning system (**Figure 7**) and do not possess powers with which to enforce the implementation of their strategies. Pathfinders need to establish good relations with regional

and local planning authorities to ensure that regional and local plans reflect their own strategies and that planning permission for their projects is obtainable.

2.2 The establishment of partnerships dedicated to tackling low demand has helped to provide additional focus and capacity to the task of physical renewal. Local authority housing departments in pathfinder partnerships are working closely together with a more shared aim of improving sub-regional housing markets, looking beyond their own geographical boundaries to consider wider sub-regional issues. Pathfinders have also been a catalyst for improving the skills, capacity and performance of local authority housing teams.

7 Pathfinders aim to influence regional and local strategic plans



Source: National Audit Office

2.3 The development of pathfinder strategies needs to have close regard to the development of wider regional housing and spatial strategies. Since the programme's announcement in 2002, projections of the level of demand for housing in the North and the Midlands have grown and in its Housing Green Paper *Homes for the future* the Government announced plans to increase the targets for the number of new homes built in these regions. Failure to align strategies runs the risk of planning decisions being taken that may threaten pathfinders' efforts to restructure their markets. For example, in December 2006 the Audit Commission highlighted that four pathfinders – South Yorkshire, Merseyside, North Staffordshire, and NewcastleGateshead – faced the risk of a substantial supply of new homes being built within the wider region that could continue to fuel the migration of people out of the pathfinder areas. In contrast, the North West Regional Housing Strategy is broadly helpful to the Manchester Salford pathfinder with most of the new homes already planned for the sub-region being within the pathfinder areas.²

2.4 Pathfinders are aware of the need for alignment between their strategies and those at the regional and local level. They have therefore sought to influence regional plans by liaising with the relevant regional bodies, such as their Regional Housing Boards. They have also been working with their partner local authorities – and with other neighbouring local authorities – to look, where appropriate, at the case for development restraint in key areas. There has been some measure of agreement in many places, such as in the Gateway Hull and Renew North Staffordshire pathfinder areas.

Pathfinders need to work with a complex partnership of bodies involved in delivering regeneration

2.5 Pathfinder neighbourhoods are amongst the most deprived in England. Many have attracted a number of different initiatives and sources of funds to improve housing, transport links, schools and other public services. For example in the Benwell and Scotswood ward in Newcastle, Housing Market Renewal funds represent less than a quarter of the regeneration initiative funds spent since 2003 (**Figures 8 and 9 overleaf**). This requires pathfinders to co-ordinate and integrate their intervention with a complex network of partners. For example, Urban Living in Birmingham and Sandwell has to ensure its strategy aligns with those of two local authorities, and the regional economic, housing, transport and spatial strategies, the city region strategy, the plans

of the Learning and Skills Council as well as those of the regional office of the Housing Corporation, the Regional Development Agency sponsored agencies such as the Black Country Consortium and the Arc of Opportunity Regeneration Zone.

2.6 Government Offices in the regions are responsible for ensuring the many area-based initiatives funded by central government are integrated and aligned at a regional level. But we found a lack of clarity about their role on Housing Market Renewal. Some have taken an active role in supporting local pathfinders whilst others have been much less involved.

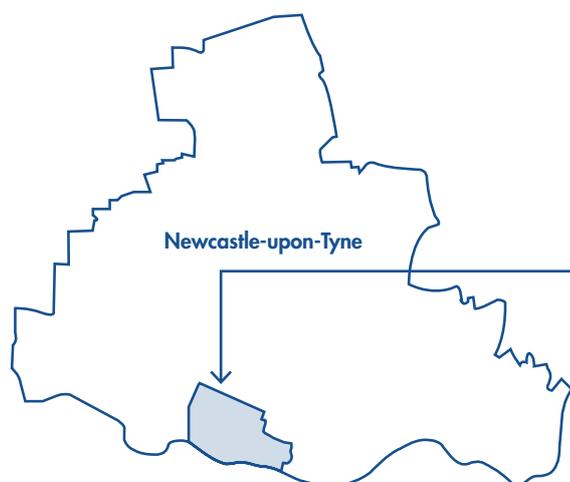
2.7 Pathfinder areas are characterised by long-term economic decline often associated with the demise of traditional industries. Some pathfinders have attempted to help address some of the underlying reasons for their areas' decline including poor economic performance where this is one of the major reasons for low demand. For example in 2005 Elevate East Lancashire commissioned its own research into the economic prospects for its area as none existed previously. It has also sought to reposition East Lancashire as 'Pennine Lancashire' and positively market the area's unique environment, history and culture in order to boost its economic prospects.

The need to make early progress meant that much early intervention was undertaken with more limited intelligence about local housing markets or the heritage of the housing stock than was the case on later schemes

2.8 Following its announcement of the programme in April 2002, the Department told the 25 local authorities in the nine pathfinder areas that Housing Market Renewal funds would be made available only when they had prepared and agreed with the Department a detailed strategy and plan of action for their respective pathfinder area. It provided the authorities with £25 million to fund their development of these strategies as well as an additional £28 million to seven pathfinders in 2003 so that they could start work early on projects that were to figure in their strategies. The Department agreed the strategies and allocated £500 million of Housing Market Renewal funding to eight of the nine pathfinders between October 2003 and July 2004, and to Gateway Hull in April 2005, for the period up to 2006.

2 Audit Commission *Housing Market Renewal Annual Review 2005-2006* (December 2006).

8 Benwell and Scotswood: Regeneration spend from 2003-04 to 2006-07



Benwell and Scotswood

Funding stream	Expenditure (£ million)
Housing Market Renewal	24.4
Funding directly levered into Housing Market Renewal projects	2.9
Public sector housing funding, which is not levered into Housing Market Renewal projects	16.1
Complementary regeneration (non-housing) funding, which is not levered into Housing Market Renewal projects	60.5
Total	103.9

Source: Bridging Newcastle Gateshead

9 Benwell and Scotswood: Regeneration spend from 2003-04 to 2006-07

Funding stream	Purpose	Expenditure (£ million)
Housing Market Renewal	Direct Housing Market Renewal funding	24.4
Sub-total		24.4
Funding directly levered in:		
English Partnerships	Contribution to land assembly in the Housing Market Renewal intervention area	1.1
Northumbria Police	Funding towards community policing, for example, officers' salaries and CCTV cameras	1.0
Home Housing	Contribution to a Homes First scheme	0.8
Sub-total		2.9
Public sector housing funding:		
Your Homes Newcastle	Arms Length Management Organisation which is investing in a Decent Homes programme of repairs and maintenance	14.1
Newcastle City Council	Mainstream housing funding	2.0
Sub-total		16.1
Complementary regeneration (non-housing) funding:		
Building Schools for the Future	Investment in a new academy school, the City Academy	38.5 ¹
Scotswood Road Dualling	Replacement of existing single carriageway on the main thoroughfare through the area	13.2
Newcastle City Council	Mainstream education funding	3.6
Neighbourhood Renewal Fund	Scotswood and Benwell is part of the Local Neighbourhood Renewal Strategy area for Newcastle and is the beneficiary of a multitude of projects funded by this stream	3.3
Sure Start Capital	Investment under the Sure Start children's centres initiative towards a children's centre and the enhancement of other nursery provision	1.3
Neighbourhood Nurseries Initiative (mainstream)		0.2
Other mainstream		0.4
Sub-total		60.5
Total		103.9

Source: Bridging NewcastleGateshead

NOTE

1 Includes some funding for 2007-08.

2.9 The partner local authorities had a great deal of influence in preparing these first strategies since for much of the period of their preparation many pathfinder bodies were still being established. As a result many of the projects outlined in the strategies were ‘off the shelf’ schemes that the local authorities had previously identified but had not been able to implement due to a lack of funding.

2.10 Many of the interventions proposed were not clearly linked to solving the problems of the housing market. For example, a project to ‘facelift’ social housing and former council housing included new double glazing, external cladding, roofs and insulation, as well as works to frontages. This investment contributed more towards meeting the Decent Homes target than to addressing the causes of low demand on a permanent basis. The Audit Commission, which reviewed the strategies on the Department’s behalf, noted that if Pathfinders continued to use a high proportion of their funding to support projects of the sort that have been tried before, and that clearly had not prevented the housing market decline, Housing Market Renewal would be a missed opportunity.

2.11 In February 2005 the Department invited the nine pathfinders to submit updated strategies in order to obtain funding for 2006 to 2008. It undertook a more systematic review of these revised strategies than it had with the original strategies when it had not used a consistent set of criteria for reviewing these documents. In preparing this second round of strategies pathfinders undertook, with English Heritage’s assistance, comprehensive assessments of the housing heritage in their areas. The Department also required that a master plan was in place with the views of residents taken into account before decisions were made on demolition.

2.12 In many cases, the focus of this second round of strategies changed, as did the projects that pathfinders planned to deliver, as a result of better market intelligence and a more realistic understanding of the costs involved and the amount of funding available. For example, Gateway Hull’s revised strategy focused on the three areas of the city assessed to be most in need of, and responsive to, housing market renewal activity. This contrasted with its original strategy which envisaged intervention in more areas. Similarly, from 2006 Manchester Salford directed most of its funding on eight Major Investment Areas which showed the most serious levels of market weakness, while NewHeartlands in Merseyside reduced the amount of demolition it planned over the life of the programme by almost half (from almost 21,000 to approximately 11,000).

2.13 Originally the pathfinders planned to demolish some 90,000 properties in the period from 2003 to 2018. However, in the second round of strategies, they reduced their demolition proposals by over one third to about

57,100 properties over the same period. These figures continue to be reviewed regularly. There was a number of factors behind this reduction, including higher costs of acquiring properties for demolition than estimated when plans were originally drawn up and, in some areas, the views of the local community and particular heritage issues. The pathfinders plan to commission some 67,600 new homes and there will be a net reduction in housing in just three of the pathfinder areas.

2.14 A number of stakeholders, including developers, told us that the VAT regime was impacting on pathfinders’ decisions on whether to demolish and rebuild or to refurbish. The rules are:

- Much of the cost of new construction is zero rated though fees paid to architects, surveyors, supervisors or other consultants are charged at the standard rate (17.5 per cent);
- Some renovation and refurbishment (for example, to convert a non-residential building to residential use, or to convert a care home to a group of single housing units) is charged at five per cent;
- A five per cent rate also applies to the renovation and alteration of housing left empty for three years or more (two years from 1 January 2008); and
- Most other work to housing is standard-rated at 17.5 per cent.

One developer gave us an example of a case where this difference in VAT treatment had had a direct impact on the intervention undertaken (**Figure 10**).

10 The influence of VAT on the decision to demolish: the Chimney Pots project, Salford

In Langworthy, Salford, Urban Splash, working with Salford City Council and English Partnerships, proposed an innovative, modern reconfiguration of the derelict terraced street so that the houses would be turned upside-down with bedrooms on the lower floors allowing the first floor to be opened up ‘loft style’ creating a large living/dining space. The front streets would remain much the same but the back-alleys would be replaced by gardens at first floor level with parking below. The proposal involved retaining as much of the existing structure – walls, floors and brickwork – as possible. However, when appraised in July 2004 this refurbishment scheme attracted an additional VAT cost of £2.8 million, a sum that English Partnerships and Salford City Council could not meet. Consequently, the scheme was altered to ensure it qualified as a new build project at the zero VAT rate. Much of the original properties were demolished with only the facades retained. Although this alteration to the scope of the work increased development costs by £1.4 million, it reduced the VAT bill by £2.8 million.

Source: National Audit Office

2.15 Demolition has both environmental benefits, in terms of the re-use of brownfield land and the replacement of old properties with new ones built to modern standards of sustainable design, and environmental costs, in terms of generating landfill and wasting embedded carbon. Any consideration of the options available for redeveloping a neighbourhood should include both the benefits and costs. However, the pathfinder business cases we examined tended to highlight the environmental benefits rather than the costs.

2.16 We found that pathfinders were committed to good quality design for the new houses being planned and many were working closely with the Commission for Architecture and the Built Environment. However the quality, accessibility and safety of retained environments also play a key role in determining where people will want to live. The Audit Commission recently concluded that in general pathfinders had not yet conducted systematic reviews of environmental conditions and produced plans for action.³

A local perception that the Department has not been committed to the programme over the long-term has impacted on delivery

2.17 Although Housing Market Renewal is expected to be a long term programme of between ten and 15 years (paragraph 1.3), until recently the Department, driven by biennial spending reviews, committed funding in only two year tranches for each pathfinder, with no guarantee of funding beyond this time. The short term nature of the funding has created tensions within pathfinders as they have attempted to match this funding with their long term programme goals. Pathfinders have found that the short term nature of the funding can affect both community and investor confidence in their ability to deliver, and can transfer risk to local authorities, which in turn may affect local authority support for pathfinder activity. For example, obtaining Compulsory Purchase Orders can take up to six years and local authorities have had to make financial commitments to fund these Orders in the event that future funding is not forthcoming from the Department.

2.18 The costs to developers of bidding to be one of a pathfinder's preferred development partners can be significant. Despite this, many developers have shown increased interest in working with pathfinders and many pathfinders have now appointed private sector partners to take the lead in developing new housing in their areas. But there continues to be a risk that, given the risks and costs involved, some private developers will be reluctant

to make long-term commitments when pathfinders can guarantee funding for no more than two to three years. The lack of long term commitment can also make Registered Social Landlords cautious about investing in pathfinder areas.

2.19 Anticipation of the Comprehensive Spending Review 2007 generated uncertainty over the future of the programme, causing problems for pathfinders. In our interviews, each pathfinder referred to this uncertainty and the resulting restrictions on their long-term planning and investment. In their submission to the Comprehensive Spending Review in September 2006, the Chairs of pathfinders reported that "the current climate created by this year's funding allocations combined with vague commitments to future allocations is undermining confidence in the programme". The Chairs asked central government to "restate its long term commitment to the programme".⁴

2.20 In October 2007, during the drafting of this report, the Department announced its commitment of a further £1 billion to the programme (paragraph 1.4). This additional funding was to be for a three year period, 2008-2011, rather than the two-year tranches in which funding had been given previously.

Departmental oversight of the programme provides limited assurance over value for money and needs to be strengthened

2.21 At the start of the programme, the Department took a hands-off approach to monitoring pathfinder performance, consistent with its aim to give pathfinders autonomy to find their own solutions to their areas' problems. While Departmental and pathfinder representatives met regularly at the Pathfinder Partnerships Working Group and Departmental staff attended individual pathfinders' board meetings as observers, other communications with the pathfinders were more informal. As the newly created bodies starting to develop their strategies, the pathfinders were required to provide the Department with little performance information in these early stages, other than regular updates on their monthly expenditure, quarterly commentaries on their progress in delivering the outputs set down in their funding agreements, and published annual reports. The Department also received six-monthly monitoring reports prepared for each pathfinder by the Audit Commission.

³ *Housing Market Renewal Annual Review 2005-06* (December 2006).

⁴ *Pathfinder Chairs, Transition to transformation: Housing Market Renewal and our changing communities*, (September 2006) pages 10 and 78.

2.22 However, inconsistencies emerged in pathfinders' interpretation of output terms such as 'refurbishment'. Consequently, the Department spent much time negotiating with pathfinders over the individual figures contained in returns, rather than using these to assess their performance and impact.

2.23 In response to criticisms from the Office of the Deputy Prime Minister Select Committee in its March 2005 report *Empty Homes and Low Demand Pathfinders* and as the programme moved into a more significant delivery phase, the Department took a more hands-on approach to its oversight of the programme. In early 2005 it required pathfinders to report against an increased number of performance indicators, covering inputs, outputs and outcomes. Ongoing refinement of the Departmental indicators to ensure clear and consistent definitions for their measurement has meant that they are not necessarily comparable with earlier measurements.

2.24 Towards the end of 2006 the Department returned to a more hands-off approach to its monitoring of the programme and pathfinder performance, transferring responsibility for day-to-day liaison with the pathfinders to the Government Offices, while the Department's central Housing Market Renewal team has responsibility for strategic oversight of the programme. In this strategic role the Department continues to rely on the six-monthly reports from the Audit Commission (paragraph 2.21) to note each pathfinder's progress, but the move to a more delegated approach means that the central Department now has little direct involvement with pathfinders on a regular basis.

2.25 As the Department's approach to the management of the programme has varied, so has the size of the team it has dedicated to this. At its largest the Department's Housing Market Renewal team consisted of 12 staff in

2005 but by August 2007 this had fallen to only three full time equivalent staff, and the team was no longer a separate division of the Department but had been subsumed within the wider Departmental Housing Directorate. This reduction in the Departmental team's status and staff numbers contributed to the perception among pathfinders of a lack of commitment to the programme within the Department (paragraph 2.19).

2.26 This turnover and lack of continuity in staffing and approach has also resulted in the Department having difficulty in keeping track of the performance information that it received from pathfinders. Much of this information was missing from Departmental records at the time of the National Audit Office's examination and the pathfinders themselves were unable to fill the gaps. While the Department used the information it gathered to discuss progress with individual pathfinders, for example, on keeping to budget, it did not use it to assess the programme's performance as a whole, or to provide more in-depth feedback to pathfinders on, for example, their comparative performance. This is despite the Audit Commission's conclusion in December 2006 that attention to value for money within pathfinders had consistently been one of the most underdeveloped areas and that there was a need for a high level of focus on improving it.⁵

2.27 The most recent performance information available demonstrates substantial differences between the pathfinders dependent on their overall strategy and the stage they have reached in programmes (**Figure 11**). This is especially the case in regard to demolitions, properties acquired and refurbished and new homes built. While these absolute numbers give a measure of pathfinder activity, they are not a measure of success in reducing low demand. Part 3 of this report covers pathfinder progress in this regard.

11 The level of spend and activity varies considerably between pathfinders

Pathfinder	Expenditure 2003-07 (£ million)	Number of homes acquired	Number of homes demolished	Number of homes refurbished	Number of new homes built
Manchester Salford Partnership	169.9	2,456	1,996	10,434	127
NewHeartlands Merseyside	139.5	2,239	750	8,761	338
Elevate East Lancashire	118.6	1,504	1,178	2,852	16
Transform South Yorkshire	111.9	2,655	2,655	3,788	178
Bridging NewcastleGateshead	92.6	628	1,560	2,567	81
Oldham and Rochdale Partners in Action	84.3	732	501	2,248	106
Urban Living Birmingham and Sandwell	65.5	1,458	748	6,753	188
Renew North Staffordshire	62.0	728	615	2,633	0
Gateway Hull and East Riding of Yorkshire	27.6	226	239	20	44
Totals	871.9	12,626	10,242	40,056	1,078

Source: National Audit Office analysis of Departmental data

5 *Housing Market Renewal Annual Review 2005-06* (December 2006).



PART THREE

Impact of the programme on local housing markets

How the Department set targets for measuring the impact of the programme

3.1 In 2003 the Department set the programme a number of outcome targets for improving the housing market in the nine pathfinder areas. These focused on reducing the number of low demand and vacant properties and on reducing the difference in house prices between pathfinder neighbourhoods and the average for the regions in which they were situated. The Department revised these outcome targets in January 2005 in its five-year plan *Sustainable Communities: Homes for All*, retaining the main indicators as vacancies and levels of house prices, with the aim that the pathfinders should try to reconnect their housing markets with nearby functioning ones (Figure 12).

Ambiguity over the contribution of the pathfinders to wider aspects of renewal extends to the targets set for the programme

3.2 Pathfinders have chosen to develop their own frameworks to monitor and report on their effectiveness, reflecting their recognition of the wider factors underlying regeneration and housing market health.

3.3 The indicators used have varied between pathfinders and there is a lack of consistency in how these are defined and measured. Such indicators have included:

- reducing the number of properties in the lowest Council Tax bands;
- reducing the number of homes in an unfit condition;
- increasing resident satisfaction with their neighbourhood;
- reducing the number of households moving out of the pathfinder area;
- increasing rates of owner occupation;
- reducing the level of worklessness; and
- increasing average household incomes.

3.4 Some pathfinders have also used sets of more detailed performance indicators to assist with the compilation of their strategies. For example, Bridging NewcastleGateshead has developed a 'vitality index' to measure and monitor a set of socio-economic indicators which includes house prices, vacancy rates, educational attainment, income, and morbidity. Similarly, Renew North Staffordshire has built up a Neighbourhood Sustainability Index to measure improvements in its area. The Index covers four domains covering the housing market, the economy at neighbourhood level, crime, and the local environment.

12 Targets for the Housing Market Renewal programme focus on three aspects

2005 targets

- | | |
|----------------------|---|
| Vacant dwellings | ■ Close the gap in vacancy rates between pathfinder areas and their respective regions by one third by 2010 |
| House prices | ■ Close the gap in house prices between pathfinder areas and their respective regions by one third by 2010 |
| Low demand dwellings | ■ Eradicate the problems caused by low demand in the pathfinder areas by 2020 |

Source: National Audit Office

3.5 The Department commissioned consultants, Ecotec, in Spring 2007 to examine what other indicators may be needed to demonstrate pathfinders' success in improving local housing markets as part of its on-going evaluation of the programme for the Department.

Performance against Departmental housing market targets has been mixed

The number of low demand properties in pathfinder neighbourhoods has fallen

3.6 When deciding on which local authorities should benefit from the Housing Market Renewal programme the Department relied on an assessment of the number of low demand properties made by local authorities. Low demand properties include not only those that are vacant or have low or falling values but also those that are difficult to let or have high rates of tenancy turnover. We found that the number of properties classified by local authorities as low demand fell in the 25 local authorities in pathfinder areas between 2002 and 2006, from 624,000 to 365,000, representing a decrease of 42 per cent. In comparison, in the same period the number of such properties in England as a whole, including pathfinders, fell by 44 per cent from 1,105,000 to 620,000.⁶

Performance in reducing vacancy levels is mixed

3.7 To assess progress against targets relating to vacancies, we examined the average vacancy rates for the constituent local authorities that make up each individual pathfinder. These combined local authority vacancy rates have fallen for each pathfinder between 2002 and 2006, although by differing amounts, and in 2006 the rates themselves varied greatly, from 6.1 per cent in Elevate East Lancashire to three per cent in Transform South Yorkshire. However, the performance in closing the gap in vacancy rates between the groups of pathfinder local authorities and their respective region has been less positive, with only four pathfinders showing such a closing between 2002 and 2006 (Figure 13).

House prices are increasing in pathfinder neighbourhoods but remain well below regional figures

3.8 There is a number of possible measures for assessing house prices and their movements – for example, the average, the median and the lower quartile. We have chosen to examine house prices at the fifteenth percentile⁷ as the Housing Market Renewal programme was the Department's main policy instrument for achieving its 2004 Public Service Agreement objective of reducing the number of local authorities where house prices were significantly lower than comparable national levels. Performance against this objective was to be measured

13 Performance in closing the gap between pathfinder and regional vacancy rates has varied

	Pathfinder vacancy rates as a percentage of regional vacancy rates					Change
	2002	2003	2004	2005	2006	2002-06
	%	%	%	%	%	%
Urban Living Birmingham and Sandwell	128	131	127	119	97	-24
Oldham Rochdale Partners in Action	114	93	106	111	88	-23
Manchester Salford Partnership	153	156	151	155	138	-10
Transform South Yorkshire	95	94	84	93	89	-6
Gateway Hull	117	114	95	102	117	Nil
Renew North Staffordshire	126	117	112	123	127	+1
Bridging NewcastleGateshead	125	127	119	144	127	+1
Elevate East Lancashire	142	143	143	146	146	+3
NewHeartlands Merseyside	126	124	137	134	135	+7

Source: National Audit Office analysis of local authority housing returns to the Department

⁶ The figures for low demand need to be treated with some caution as the definition for low demand is complicated and its interpretation is open to subjective judgement. Consequently, in some cases there are large changes in a local authority's figures from one year to the next.

⁷ For any data set, the fifteenth percentile is the value at which, if the data was placed in order of size, 15 per cent of the data would fall below it and 85 per cent lie above it.

using the fifteenth percentile as the most appropriate indicator for the segment of the housing market at which the programme was aimed.

3.9 Since 2002, house prices at the fifteenth percentile in pathfinder neighbourhoods have almost trebled from an average of £20,000 to £58,000 in 2006, while house prices in England generally almost doubled from £54,000 to £102,000. In 2002, pathfinder house prices were approximately 54 per cent of regional prices. By 2006, this proportion had increased to 71 per cent (Figure 14). Despite this closing of the gap, the average price in pathfinder neighbourhoods at the fifteenth percentile in 2006 was £58,000 compared with a regional average of £81,000.⁸

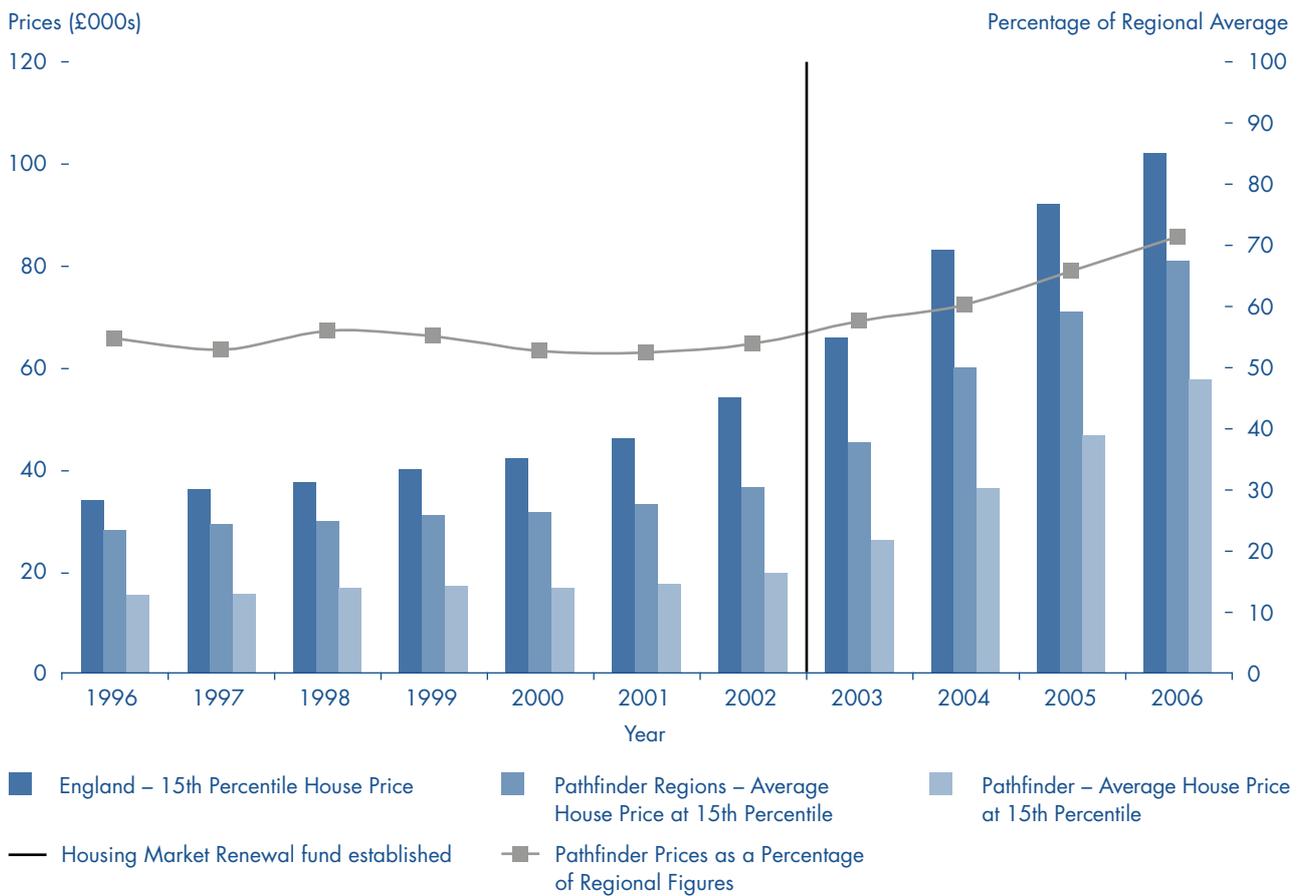
3.10 The performance in closing the gap between regional and pathfinder house prices at the fifteenth percentile has varied between pathfinders. Although all pathfinders have succeeded in closing the gap, prices in

Gateway Hull, Elevate East Lancashire and Renew North Staffordshire were still less than two thirds of the regional equivalent in 2006 (Figure 15).

Performance has been better than in other low demand areas

3.11 For the Department and pathfinders, the success of the programme is determined by the extent to which it has closed the gap between the housing markets in the pathfinder areas and the relevant regional housing markets, as set out in paragraphs 3.6 to 3.10. However, we also compared the programme's impact in pathfinder local authorities between 2002 and 2006 with the trends in house prices and vacancy rates in 26 other local authorities where there were problems of low demand but where no pathfinders had been established, 11 of which were allocated a total of £45 million of Housing Market Renewal funding for 2006 to 2008.⁹

14 House prices in pathfinder neighbourhoods have risen, although there is still a significant gap with regional prices



Source: National Audit Office analysis of Departmental data

⁸ The figures in this paragraph represent the averages of the individual fifteenth percentile values for each of the nine pathfinders and for each of the four regions, rather than the actual fifteenth percentile for all sales in the nine pathfinders and for all sales in the four regions.

⁹ The 11 local authorities are in Tees Valley, West Yorkshire, and West Cumbria. Although they were awarded Housing Market Renewal funding, no pathfinders were established in these authorities.

3.12 Because data were not available at a neighbourhood level for vacancies and, for our comparators, houses prices, our comparison has been at the local authority level. There are some limitations with this approach. For example, pathfinders account for only 30 per cent on average of their host local authorities' housing market and there are many neighbourhoods in pathfinder local authorities where there is no problem with low demand. Also, the problems of low demand were greater in pathfinder local authorities than in our comparators. Despite these limitations, others, including the Department, have at times used the data for pathfinder local authorities as the closest match available. The Department's 2004 Public Service Agreement objective for this programme was also set at the local authority level (paragraph 3.8).

3.13 We found that the housing markets in the local authorities in which pathfinders had been established had performed better than those in our low demand comparator authorities in which pathfinders had not been established (Figure 16 overleaf). Between 2002 and 2006, vacancy rates had fallen by 16 per cent in pathfinder local authorities, compared to 12 per cent in our comparators, and house prices had increased by 147 per cent, compared to 136 per cent.

The extent to which pathfinders are responsible for progress made is unclear

3.14 There are many factors which can affect the demand for housing in an area and thus impact on the programme's targets of reducing vacancy rates and increasing house prices (Figure 17 overleaf). The majority of pathfinder expenditure has been on addressing just one of these factors, improving the supply and availability of housing, while pathfinders have relied on their links with other local partners, such as local authorities, Registered Social Landlords and Regional Development Agencies, to deliver effective stock management and improvements to the attractiveness of local neighbourhoods and local economic performance. However, some factors, such as interest rates, are beyond pathfinder control or influence.

3.15 It is unclear which of the many factors listed in Figure 17 has the greatest impact on housing demand. Thus, while the comparison between pathfinder and other local authorities with problems of low demand in paragraph 3.13 seems to indicate that the programme is having a positive impact, it is difficult to identify the extent to which the increases in house prices in pathfinder areas since the establishment of the programme have been due to intervention by the pathfinders themselves or due to general trends in the housing market, such as the rise in house prices nationally and the increase in recent years in the Buy-To-Let market.

15 The gap between regional and pathfinder house prices has closed in all pathfinder areas

Pathfinder	Pathfinder house prices as percentage of regional figure				
	2002 %	2003 %	2004 %	2005 %	2006 %
Bridging NewcastleGateshead	69	86	92	98	92
Urban Living Birmingham and Sandwell	70	78	81	85	84
Transform South Yorkshire	62	64	68	76	75
Oldham and Rochdale Partners in Action	62	62	60	69	75
Manchester Salford Partnership	40	47	50	60	75
NewHeartlands Merseyside	55	54	66	69	71
Gateway Hull and East Riding	60	58	46	51	61
Renew North Staffordshire	36	38	47	52	57
Elevate East Lancashire	34	36	34	42	52

Source: National Audit Office analysis of Departmental data

NOTE

The above figures are based on the relevant fifteenth percentile house prices for pathfinders and their regions.

16 Housing markets in pathfinder local authorities have performed better than in our comparator low demand local authorities

	2002	2003	2004	2005	2006	Change over period
Vacancy rates						
Pathfinder local authorities	5.09%	4.86%	4.54%	4.65%	4.27%	-16
Other low demand local authorities ¹	4.07%	3.87%	3.96%	3.63%	3.59%	-12
England	3.40%	3.33%	3.17%	3.11%	3.06%	-10
Vacancy rates have fallen at a faster rate in pathfinder local authorities						
House prices at 15th percentile						
Pathfinder local authorities	£29,465	£37,385	£51,495	£62,355	£72,750	+147
Other low demand local authorities ¹	£31,500	£39,165	£53,050	£65,290	£74,395	+136
England	£54,000	£65,750	£83,000	£92,000	£101,950	+89
House prices have risen at a faster rate in pathfinder local authorities						

Source: National Audit Office analysis of local authority housing returns to the Department

NOTE

¹ These areas cover the 26 local authorities with the highest level of low demand where no Pathfinder has been established.

3.16 According to pathfinders, their areas have, in some cases, been affected by speculative investment, attracted by the prospect of the extra investment planned under the Housing Market Renewal programme and the resulting increase in house prices. For example, in Merseyside the level of sales of properties at auction increased rapidly in 2003-04 and the prices of very low value properties rose. According to pathfinders, external purchasers have also deliberately invested in properties which are due to be subject to Compulsory Purchase Orders. Pathfinders estimate that this form of speculation has added an average of £10,000 to the cost of acquiring a property for clearance which will cost pathfinders approximately £50 million between 2003 and 2008, four per cent of their allocated funds of £1.2 billion for that period.

3.17 It is also difficult to identify the extent to which the fall in vacancy rates in pathfinder areas has been due to the pathfinders themselves or due to other factors. In the short term pathfinders' interventions create vacancies as they acquire properties for demolition. This risk should at least be partly offset by the fact that increased house prices provide property owners with a financial incentive to bring long term empty property back into use, although some of those purchasing houses for investment purposes may prefer to leave their properties vacant as they are only interested in the appreciation in the property's value. Also, a significant but unknown number of citizens from other European Union countries have moved into some pathfinder areas, such as Birmingham and Manchester, attracted by the relatively cheap housing. Such in-migration was not envisaged at the time of the programme's establishment.

17 Many different factors affect the demand for housing

Local economic performance

- Income and earnings levels
- Employment rates
- Occupation structure

Demographic trends

- Population growth/decline
- Age profile
- Household formation rates
- Migration

Interest rates

Investor confidence

Stock management by local authorities and Registered Social Landlords

Housing supply and availability

- Tenure, size and type, location
- Quality
- Price
- Stocks and flows

Attractiveness of a neighbourhood

- The quality and availability of local public services, such as schools and leisure facilities
- The quality of the built environment, including parks and public spaces and cleanliness
- Fear of crime

Source: National Audit Office



The impact of the programme on communities

The risks of increasing community stress can be high

4.1 There are over a million residents living in local authorities with pathfinders, many of whom are directly or indirectly affected by ongoing Housing Market Renewal projects. While such projects, when completed, should improve people's lives by improving the condition and value of their homes and making their neighbourhoods more attractive places to live, there may also be less positive effects. The extent of these less positive effects will depend on a number of factors. Refurbishment of existing homes has relatively little impact on the community. But where major intervention work and demolition of occupied properties is proposed, especially where there are still tight-knit communities, the risk of incurring negative impacts and community stress is high. **Figure 18 overleaf** outlines the potential impacts of the Housing Market Renewal programme on communities.

Community engagement can be challenging for pathfinders who have a sub-regional rather than neighbourhood focus

4.2 Community engagement can be particularly 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. The New Deal for Communities and the Neighbourhood Renewal Fund programmes put the local community more in the driving seat in terms of developing and owning the improvements to their neighbourhoods. Some critics, for example the Empty Homes Agency and the Sustainable Development Commission, have suggested that, in their view, in some cases consultation happened too late in the process to enable communities to have any real role in shaping pathfinder plans, or were simply undertaken to facilitate decisions that had already been made.

18 Potential impacts of the programme on communities

	Positive	Negative
Physical	<p>On residents in intervention zone</p> <ul style="list-style-type: none"> ■ For those with homes subject to intervention, better housing stock and a more attractive neighbourhood in the longer term. ■ For those with homes not subject to intervention, a more attractive neighbourhood in the longer term. 	<p>On residents in intervention zone</p> <ul style="list-style-type: none"> ■ For those with homes subject to intervention, a temporary or permanent move out of their home while work is carried out, with some properties subject to compulsory purchase and demolition. ■ For those with homes not subject to intervention, a deterioration of the neighbourhood in the short term as properties nearby are acquired for refurbishment or demolition. <p>On residents in neighbouring communities</p> <ul style="list-style-type: none"> ■ An influx of decanted people from the nearby intervention zone.
Financial	<p>For owner occupiers</p> <ul style="list-style-type: none"> ■ An increase in their home's market value as a result of pathfinder intervention and/or outside speculation. <p>For business owners</p> <ul style="list-style-type: none"> ■ Increase in business as new residents are attracted into the redeveloped neighbourhood. 	<p>For owner occupiers</p> <ul style="list-style-type: none"> ■ Difficulties in affording a similar size property elsewhere. <p>For social renters</p> <ul style="list-style-type: none"> ■ Increase in the rent of their new or refurbished home. ■ The cost of decorating their new home. <p>For business owners</p> <ul style="list-style-type: none"> ■ Loss of revenue while the neighbourhood is redeveloped. <p>For neighbouring communities</p> <ul style="list-style-type: none"> ■ Possible restriction of planning permission for residents and businesses.
Emotional	<p>For those in intervention zones</p> <ul style="list-style-type: none"> ■ Excitement over new opportunities to move into a better home. ■ Relief as long term housing problems in the neighbourhood are addressed. ■ Opportunity to become involved in the development of their neighbourhood. 	<p>For those in intervention zones</p> <ul style="list-style-type: none"> ■ Uncertainty over the future – for example, when construction work will begin and be completed. ■ Loss of community and separation from friends. ■ Concern about whether their new home will be as good as their old one. ■ Loss of their home through compulsory purchase. ■ Build up of tension between different groups of residents who favour and oppose plans.

Source: National Audit Office

4.3 Community resentment can manifest itself in protest at the plans and frustration with the planning authorities and the pathfinders. In a number of areas, campaign groups have been established to oppose plans to clear existing properties. These groups have had an impact on the programme's delivery, resulting in changes to the plans for an area and delays in implementation. Examples are given in **Figure 19**.

4.4 The Audit Commission, amongst others, has praised the progress pathfinders have made on community engagement, particularly in exploring the views of potential residents and people in hard-to-reach groups. All the pathfinders have developed community

engagement strategies, establishing various mechanisms for resident participation and community consultation. Most pathfinders have a community engagement group to support staff in carrying out the strategies. Pathfinders have also worked closely with other stakeholders such as Registered Social Landlords and local authorities in carrying out this work, and they have commissioned consultants to conduct community surveys which in many cases have shown high levels of support for pathfinders' proposals among residents, reflecting their enthusiasm for the opportunities brought about by the programme.

19 Objections in Elevate East Lancashire and Oldham and Rochdale Partners in Action pathfinders

In Nelson, Lancashire, Pendle Borough Council abandoned plans to demolish housing in what subsequently became a conservation area after local objections and two public inquiries. Instead, with the assistance of Commission for Architecture and the Built Environment, English Heritage and the Prince's Foundation, the pathfinder, Elevate East Lancashire, proposed a heritage-led regeneration of the area and more refurbishment of properties.

In Derker Ward, a survey commissioned by the pathfinder, Partners in Action, showed a majority of residents were in favour of the pathfinder's plans to demolish a number of properties. However, in January 2007 a group of residents were given High Court approval for a judicial review of these plans. In April 2007 the judge overturned the planning permission as the proposals failed to take into account environmental considerations. The Council has stated that it would be re-applying for planning permission. One hundred and fifty eight of the 230 affected homes have already been purchased voluntarily and a public inquiry into the Compulsory Purchase Order of the remaining properties is ongoing.

Source: National Audit Office

4.5 The National Audit Office's case study work in the Welsh streets area of Liverpool (see Appendix 3) has shown that in areas planned for demolition where vibrant communities still exist, just having an extensive community engagement programme in place is not enough. The way this programme is conducted is crucial in maintaining community trust and support for the plans, both of which determine levels of community tension and stress. Figure 2 shows the key principles of successful community engagement identified from our case study work that should underlie future work with communities in Housing Market Renewal areas (see also Appendix 3 for a detailed case example).

4.6 The Housing, Planning, Local Government and the Regions Select Committee recommended that the Department "issue new guidance setting out how pathfinder initiatives should consult with local communities to enable input at the earliest stages before any decisions are taken to demolish housing", in their report of July 2005. The Department rejected this in the short term as it considered that extensive advice on best practice in community engagement was already available, but stated further consideration would be given at a later date. However, existing guidance remains unspecific; for example on deciding whether the community support demolition, guidance states that 'a good majority' should be in favour, although 'a good majority' is not defined.

Effective neighbourhood management is required to help communities through the period of change

4.7 The pathfinders are funding a number of different schemes to support and sustain communities during the implementation of their plans. For example, New Heartlands has pioneered and part funded the 'Living through Change' programme under which Registered Social Landlords and local authorities intervene to stabilise neighbourhoods. Measures undertaken include the securing of empty properties to ensure that they are not misused, the appointment of neighbourhood wardens to address community safety concerns, and the use of environmental teams to tackle fly-tipping.

4.8 In some pathfinder areas speculative purchases by private sector landlords have contributed to the transient nature of communities with tenancy turnover of 30 per cent in some cases and a consequent detrimental impact on the stability of the areas. Some pathfinders are acutely aware that their activities might exacerbate existing tensions between different communities if certain neighbourhoods are seen to benefit while others do not. Thus, for example, both Renew North Staffordshire and Elevate East Lancashire have worked with their various communities to ensure community needs are understood and recognised in their plans. Elevate has also used Mediation Northern Ireland's conciliation service to try to increase understanding among the different communities in Burnley. Similarly, Urban Living has embraced community cohesion issues (**Figure 20**).

20 Community cohesion in Urban Living, Birmingham and Sandwell

Urban Living has a majority Black and Ethnic Minority population (some 65 per cent in March 2007) and is the only pathfinder to have a sub-board looking specifically at the issue of community cohesion. Its Community Engagement Strategy and Action Plan outline how Urban Living takes advantage of other community engagement activities that have been made possible by public funding. Urban Living also has a system of Community Engagement Checklists and Equalities Impact Assessments. These inform how the pathfinder involves local communities in the design and implementation of its projects, how this will affect delivery and outcomes, and how community engagement has been monitored or evaluated.

Source: National Audit Office

4.9 Between 2002 and 2006 house prices in pathfinder areas almost trebled (paragraph 3.9), causing problems for local residents whose average incomes, according to pathfinders' research, rose by only 25 per cent in the same period and who, therefore, have found themselves unable to afford alternative properties in their area. Pathfinders have estimated that, on average, there is a gap of £35,000 between the amount of compensation existing homeowners receive for their home when subject to a Compulsory Purchase Order and the cost of buying a suitable alternative property.¹⁰ Such an affordability problem is an inevitable consequence of a programme whose primary aim is to increase house prices in an area.

4.10 Pathfinders have offered a range of financial assistance packages to help bridge this gap, including relocation grants, low cost home ownership products such as shared ownership properties and equity loans, Sharia-compliant mortgages¹¹, and discounts on new houses provided by developers via planning agreements. Pathfinders have sought to raise additional funding for these assistance packages from private sector financial institutions but with little success.

4.11 The majority of the £1.2 billion committed to 2008 to the programme is to fund capital expenditure on housing and pathfinders are restricted on the amounts that they can spend on other activities. At the start of the programme, the Department did not formally split the funding allocated to pathfinders into capital and revenue amounts but allowed individual pathfinders to spend up to 20 per cent of their allocation on revenue activities. In 2006 the Department changed its approach. After negotiations with the pathfinders, it agreed a capital and revenue figure for each pathfinder for both 2006-07 and 2007-08. The total of these revenue allocations represented about ten per cent of the total funding allocated, although there were variations across the pathfinders, with some having an agreed allocation of more than ten per cent and others less.

4.12 By the end of March 2007 pathfinders had spent an estimated £130 million on revenue activities, 15 per cent of the total expenditure of £872 million. Such activities included not only administration but also community engagement, neighbourhood management and financial support for individual households. In addition, pathfinders had spent an estimated £96 million of capital funds on these non-housing activities. Despite this spending, some pathfinders consider that they need more revenue funding for such activities, to help lessen the potential adverse impact on people's lives during the programme's implementation.¹² The Pathfinder Chairs stated in their September 2006 collective submission to the Department that the Government should consider the exceptional problems in some pathfinder areas and the potential need for additional non-Housing Market Renewal revenue funding. According to joint research by the Chartered Institute for Housing and the Joseph Rowntree Foundation in March 2007 there was a growing awareness amongst the pathfinders about the need to provide considerable levels of support to communities and individual households affected by clearance and relocation programmes.¹³

4.13 In our visits to pathfinders we found this message was conveyed to us by some pathfinders, although not all. Other pathfinders have found the restrictions on revenue funding to be less of a problem in practice, especially where much of the neighbourhood management work is carried out by other stakeholders such as local authorities. However, if the gap in affordability continues to rise, the pressure on non-capital funding to fill this gap will inevitably grow unless other sources of funding, such as from the private sector, are found.

4.14 We explore the issues raised in this part of the report in more detail through a case study examination of the Welsh Streets scheme in Merseyside in Appendix 3.

¹⁰ I Cole and J Flint: *Demolition, Relocation and Affordable Rehousing – Lessons from the Housing Market Renewal Pathfinders*, The Chartered Institute of Housing and Joseph Rowntree Foundation, (March 2007).

¹¹ Under Sharia law paying and charging interest is prohibited.

¹² *Housing Market Renewal Annual Review 2005-06* (December 2006).

¹³ See footnote 10 above.

APPENDIX ONE

Background to the development of the Housing Market Renewal programme and the selection of pathfinder areas

The Government came to believe that a new approach to tackling low demand was needed

1 The Government became increasingly concerned that areas of low demand were getting left behind, as the housing market picked up strongly in other parts of the country in the late 1990's. Research, particularly from the University of Birmingham Centre for Urban and Regional Studies, detailed the relative and absolute decline of many of these areas and the economic and social consequences of that decline. In many cases low demand was leading quickly to large scale abandonment, which put local services under increasing difficulty in supporting those left behind.

2 Many came to believe that the root of the problem was the housing stock itself, which needed to be altered radically to attract people and businesses back to an area. In November 2001, the National Housing Federation, Chartered Institute of Housing and a number of Regional Housing Boards, local authorities and Registered Social Landlords in the North of England made a joint submission to the 2002 Comprehensive Spending Review. The subject was also examined in detail by the Transport, Local Government and the Regions Select Committee, which called in their March 2002 *Empty Homes* report for "radical intervention ...in some inner urban areas where the housing market has collapsed to make them attractive to a broad range of existing and potential residents...this must be on a large conurbation-wide scale."

3 Such stakeholders believed there needed to be a new approach whereby decisions on the large scale capital investment needed to transform the housing stock were made at a sub-regional level, in recognition of the fact that housing market failure straddled local authority boundaries and needed to be based on a clear understanding of the drivers of housing markets.

4 This new housing market-led approach emerged as the Housing Market Renewal programme. **Figure 21 overleaf** sets out its timeline. The programme contrasted with other approaches to regenerating deprived or declining areas (**Figure 22 on page 32**).

How the neighbourhoods to benefit from the programme were chosen

5 The Department identified the areas which were to participate in the programme using 2001 local authority housing statistics returns. These returns showed that 161 local authorities in England as a whole suffered from at least some low demand for housing. The Department then carried out a six stage exercise on the returns to identify those local authorities that would make up the pathfinder areas (**Figure 23 on page 33**). Only 23 local authorities passed all six tests but, after some further negotiation, two further local authorities – Rossendale and Staffordshire Moorlands – were added to the list.

21 Housing Market Renewal timeline

- | | | |
|-------------|--|---|
| 2001 | <ul style="list-style-type: none"> ■ Centre for Urban and Regional Studies <i>Changing Housing Markets and Urban Regeneration in the M62 Corridor</i> report published in February ■ Joint Submission to Comprehensive Spending Review in November | <ul style="list-style-type: none"> ■ This report examined housing markets in 18 local authorities and called for a new approach to regeneration and renewal ■ This submission called for the introduction of a Housing Market Renewal Fund of £6.8 billion over a 15 year period |
| 2002 | <ul style="list-style-type: none"> ■ Transport, Local Government and the Regions Select Committee report <i>Empty Homes</i> published in March ■ Launch of the Housing Market Renewal programme in April covering nine areas of low demand | <ul style="list-style-type: none"> ■ The Committee supported the creation of a Housing Market Renewal programme to address low demand abandonment ■ The Government invited bids for Housing Market Renewal funding from the local authorities in the nine areas, allocating them £25 million for proposal development |
| 2003 | <ul style="list-style-type: none"> ■ <i>Sustainable Communities: Building for the Future</i> published in February ■ £28 million allocated to enable early action to be undertaken in the nine areas ■ First allocation of Housing Market Renewal Funds in October | <ul style="list-style-type: none"> ■ This Departmental Plan set out the expectations for the programme and announced the creation of a new £500 million market renewal fund over the next three years ■ The Department allocated £115 million to Manchester-Salford |
| 2004 | <ul style="list-style-type: none"> ■ Allocation of further Housing Market Renewal Funds between February and July ■ Announcement of 2005-08 Comprehensive Spending Review | <ul style="list-style-type: none"> ■ The Department allocated £397 million to seven pathfinders ■ The Review confirmed Housing Market Renewal funding of £450 million for 2006-07 and 2007-08 |
| 2005 | <ul style="list-style-type: none"> ■ <i>Sustainable Communities: Homes for All</i> published in January ■ The Government invited bids for further Housing Market Renewal funding in February 2005 ■ Office of the Deputy Prime Minister Select Committee report <i>Empty Homes and Low Demand Pathfinders</i> published in March ■ Final allocation of first round of funding in April | <ul style="list-style-type: none"> ■ This Departmental Plan set targets for the programme of reducing vacancy rates and improving house prices ■ The nine pathfinders bid for funding for 2006-07 and 2007-08 ■ The Department allocated £16 million to Hull |
| 2006 | <ul style="list-style-type: none"> ■ Allocation of second round of funding between August 2006 and January 2007 ■ Consultation Paper <i>Delivering Housing and Regeneration: Communities England and the future of social housing regulation</i> published in June | <ul style="list-style-type: none"> ■ The Department allocated £673 million to the nine pathfinders ■ The Department announced the future transfer of responsibility for the programme to a new body, called 'The Homes and Communities Agency' |
| 2007 | <ul style="list-style-type: none"> ■ <i>Homes for the future: more affordable, more sustainable</i> published in July | <ul style="list-style-type: none"> ■ This Housing Green Paper announced that, while funding for the programme would continue, it would be focussed on areas where there were deep seated structural problems |

Source: National Audit Office

6 The pathfinder areas chosen contained 624,000 low demand properties in 2002 – over half of all low demand properties in England. There are broad similarities between pathfinder areas. The populations in all pathfinders have been declining over a number of years and one in six pathfinder wards is considered to be 'extremely deprived', compared to one in 100 nationally. However, there are also significant variations between them:

- In the Birmingham and Sandwell pathfinder, over 65 per cent of the population in 2001 was from ethnic minorities whereas in Gateway Hull, the proportion was only two per cent;
- While back to back dwellings predominate in places like East Lancashire and Hull, in Newcastle-upon-Tyne and Gateshead there are high-rise estates and Tyneside flats;¹⁴ and
- While pathfinder areas have a higher concentration of social and private rented property than the rest of the country, the level of owner-occupation varies from over 35 per cent in Manchester Salford pathfinder to almost two thirds in Elevate East Lancashire.

14 Tyneside flats are purpose built flats situated in two storey buildings where the flats are arranged in pairs: upper and lower.

22 Different approaches to regeneration				
Approach	Examples of initiatives	Focus	Typical levers	General aims
Community-led	New Deal for Communities Housing Action Trusts Community Asset Transfers	People living in deprived neighbourhoods	Local empowerment through devolved agenda-setting, decision-making and spending Diverse small scale projects	Building skills and capacity in local communities and encouraging local people to make decisions and help manage regeneration.
Business-led	Enterprise zones Urban Regeneration Companies City improvement zones Business Incentive Development Scheme	New and expanding businesses	Tax relief for investment Public Private Partnership investment vehicles Facilitation of inward investment Business forums Refurbishment of retail areas Provision of infrastructure	Encouraging private investment into an area through taxation relief.
Property-led	English Partnerships developments Regional Development Agency developments	Developable windfall sites	Land remediation and development	Stimulating the local economy by providing new business accommodation and homes.
Opportunity-led	Capital challenge Single Pot Single Regeneration Budget	Stimulating local competition	Provision of grant funding to local bids, selected through a competitive bidding process	Stimulating local regeneration through increasing competition between local authorities.
Housing Market-led	Housing Market Renewal Slum Clearances Millennium Villages Growth Areas	New and existing residential areas	Provision of infrastructure Land remediation and development Housing refurbishment or development Coordination of new public service provision	Encouraging new people to an area through the provision of new or improved housing.

Source: National Audit Office

23 The Department carried out a six stage exercise to identify pathfinder local authorities

- 1 All local authorities based in the South East, London, South West and East regions were excluded.
- 2 All local authorities with only low demand problems in either private or social sectors, but not both, were excluded.
- 3 All local authorities with housing statistics returns that showed poor supporting evidence for low demand were excluded.
- 4 All local authorities which were considered to have a small scale low demand problem that did not relate to the wider market were excluded.
- 5 All local authorities which, although passing the first four tests, were excluded if in the Department's opinion Housing Market Renewal funds would not have sufficient impact.
- 6 The final stage involved reviewing local authorities individually. Most local authorities were excluded if their low demand problem was not considered to pose the risk of an imminent housing market collapse.

Source: National Audit Office

APPENDIX TWO

Methodology

Visits to pathfinder areas

1 We visited all nine pathfinder areas in the course of our fieldwork. At each pathfinder, we were provided with an overview of their structure, strategy and progress to date. We carried out a series of interviews, conducted document review, and visited project sites.

Interviews

- 2** We interviewed the following people:
- The Director and Chair of pathfinders to explore high-level strategy, governance and delivery issues.
 - Pathfinder Board members and observers to discuss their roles in the pathfinder and their views on progress to date. Interviewees included members and observers from partner local authorities, Registered Social Landlords and private sector developers.
 - Pathfinder staff with lead responsibility for delivering the programme, such as project managers, to explore the day-to-day operations and work of the pathfinder.
 - Project delivery staff on site to gain an understanding of their role and the challenges they face in helping to deliver their particular schemes.
 - In Liverpool, we spoke to a number of residents who supported and a number who opposed the pathfinder's plans.

Document review

3 To gain an understanding of high-level strategy, we examined the pathfinder's original strategy and its revision in 2005 as well as business plans and risk assessments.

To establish an understanding of financial management, we examined the pathfinder's summary of activity returns to the Department and accompanying financial returns. In addition, we looked at the pathfinder's capital receipts policy and its performance information.

As community consultation is a significant aspect of a pathfinder's work, we examined pathfinders' community consultation strategies.

Case studies

4 At each pathfinder, we selected at least one project and reviewed its options appraisal to test the rationale for its selection. We also examined the project's annual breakdown of expenditure. We toured the options appraisal areas in addition to being shown around other pathfinder intervention areas on each visit. The projects we selected to examine at each pathfinder were:

Bridging NewcastleGateshead – North Benwell, Newcastle-upon-Tyne and the Scottish and Newcastle Brewery site, both in Newcastle-upon-Tyne.

Elevate East Lancashire – Infirmary Street, Blackburn.

Gateway Hull and East Riding of Yorkshire – Newington and St Andrews, West Hull.

Manchester Salford Pathfinder – Chimney Pots Park, Salford.

NewHeartlands Merseyside – Anfield-Breckfield, Liverpool and Princes Park, both in Liverpool.

Oldham Rochdale Partners in Action – East Central Rochdale.

Renew North Staffordshire – City Waterside, Stoke-on-Trent.

Transform South Yorkshire – Park Hill, Sheffield.

Urban Living Birmingham and Sandwell – Greets Green, West Bromwich.

We examined community engagement and issues of neighbourhood management through a detailed case study in the Welsh streets area in Liverpool. We talked to residents with different views and all the relevant authorities involved in the process. We also conducted extensive document review.

Stakeholder Interviews

5 We interviewed a number of stakeholders to obtain their views on the Housing Market Renewal programme:

- HM Treasury
- English Heritage
- English Partnerships
- National Housing Federation
- Audit Commission
- Chartered Institute of Housing
- ECOTEC Research and Consultancy
- The Prince's Regeneration Trust
- Civic Trust
- Sustainable Development Commission
- Commission for Architecture and the Built Environment
- Council of Mortgage Lenders
- Empty Homes Agency

We also received the views of resident groups opposed to the plans for redevelopment in six of the nine pathfinder areas as well as comments from the national umbrella body for such groups, Homes Under Threat.

Local authority survey

6 We surveyed 26 local authorities in the North and Midlands of England which had high levels of low demand housing but where no pathfinder had been established, to ask about their experiences of tackling the problems of low demand and received replies from 15. These 26 consisted of:

- the 11 local authorities which received £45 million of Housing Market Renewal funds in 2006 but where no pathfinder was established;
- the 14 local authorities in Yorkshire and Humberside, North East, North West and West Midlands regions with the next highest levels of private sector low demand according to local authority housing returns to the Department for 2004 (the earliest year for which we had data available to us); and
- one other local authority which had no entry for private sector low demand on their 2004 housing return but a low demand rate in the affordable housing sector totalling almost 10,000.

We also compared the change in the levels of house prices and vacancy rates in these 26 authorities over the period 2002 to 2006 to the levels in the pathfinder local authorities.

Review of Departmental documents

7 We reviewed key departmental documents, including the evaluations, both published and unpublished, of different aspects of the programme, commissioned by the Department from consultants, ECOTEC. ECOTEC's published evaluations have included:

- *National Evaluation of the HMR Pathfinder Programme – Baseline Report;*
- *Buy-to-Let Housing Market in the HMR Pathfinders;* and
- *Skills and Capacity in the HMR Pathfinders.*

Audit Commission

8 The Audit Commission has been significantly involved in the programme:

- it acted as a 'critical friend' for pathfinders, whereby each pathfinder received support from the Commission's regeneration experts;
- it acted as a 'scrutineer', reviewing both rounds of pathfinder strategies for the Department;
- it shared information between pathfinders and with other bodies through its quarterly bulletin and a programme of learning events; and
- it provided the Department with six-monthly monitoring reports on each pathfinder and, based on the results of these, annual reviews of the whole programme.

We liaised with the Commission, for example, reviewing their reports on pathfinders and the programme, and discussing with them the design of our examination.

Visits to non-Pathfinder areas

9 We made short visits to Tees Valley Living, which is receiving money from the Housing Market Renewal programme, and New East Manchester, which co-ordinates the spending of Housing Market Renewal funding in its locality. Tees Valley Living is one of three non-pathfinder partnerships, together with West Yorkshire and West Cumbria. It covers the areas of Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees. New East Manchester Limited is an urban regeneration company that is responsible for delivering housing projects as well as other regeneration schemes. In both areas, we discussed issues of strategy, performance and governance and toured some intervention areas.

APPENDIX THREE

Community engagement in the Welsh Streets, Merseyside

1 Community engagement is an important part of the market renewal programme. As the main report makes clear, much has already been done by the pathfinders to develop and strengthen their work in this area, and all have established community engagement strategies. Much of this work has been subject to close scrutiny and a range of views has been expressed. The Audit Commission has been generally positive about the way the pathfinders have developed their engagement strategies. Others, such as the Sustainable Development Commission, have been less positive, and have argued that, in their view, some consultation has been carried out too late.

2 Against this background, the National Audit Office decided for the purpose of this study to look at one particular example of community engagement, and – in view of its high profile in the programme – selected the scheme based on the Welsh Streets in Liverpool, part of the wider programme being developed by NewHeartlands. The differing views within the community here make it, in our view, a useful study to consider some of the issues involved in a particularly difficult and sensitive situation.

3 As the pathfinder programme operates in many different circumstances across a wide range of areas, there are, of course, many different levels of community engagement and, in many cases, a very high level of community support. It is therefore difficult to find a fully representative case study. The Welsh Streets study involves some very particular local circumstances, but there are also some more general issues of wider relevance, and we make recommendations in the main report to reflect these.

Introduction

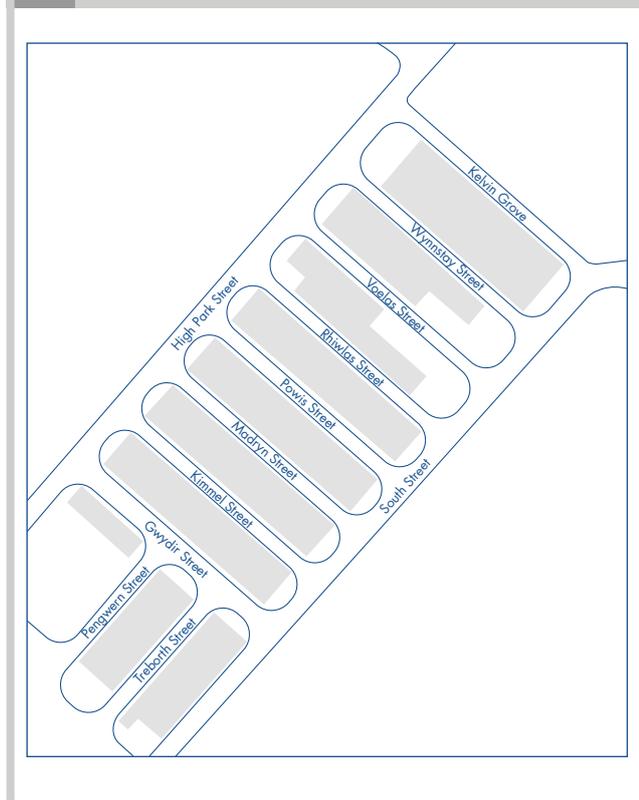
The neighbourhood and its condition

4 The ‘Welsh Streets’ is the largest of six neighbourhoods in the Princes Park area of south central Liverpool¹⁵. It consists of 16 streets, whose Welsh names reflect its heritage as the place where Welsh builders, drawn to the city in the nineteenth century, built houses for themselves and settled with their families. Between them these streets contain 806 properties, housing about 1,100 people, and a few businesses such as local shops. The houses are all Victorian terraces, of which most are ‘two-up, two-down’, and a few are four bedroom semi-detached Victorian town houses, some of which have been converted into flats. About 30 per cent are privately owned, the rest mostly social housing owned by CDS Housing Association, a subsidiary of Plus Housing Group. About 3 per cent of housing is owned by Liverpool City Council (the Council).

5 Housing and population statistics for the Princes Park area (2,653 properties) up until 2001 tell a story of long term decline and stagnation. From 1971 to 2001 the population of the area more than halved. Median house prices, at £20,000, were just over a third of the average for North West England of £57,000, and were falling. Long term vacancies were at 10 per cent (against a national average of 3 per cent), and turnover rates for both private and social housing were above average. 98.7 per cent of properties were in Council Tax Bands A or B. Many of the houses were poorly maintained, and the neighbourhoods were in general in a poor state.

¹⁵ This area is part of ‘Liverpool 8’, and contains the parish of Toxteth.

24 Map of Welsh Streets – identified demolition zone



6 Since 2001 some of these statistics have improved as the housing market boom has spread across the country, and speculative buying increased after Liverpool was declared the Capital of Culture. The population has gone up about five per cent, and excluding pathfinder acquisitions, long term vacancies have fallen to 6.3 per cent. The median house price in the area has risen to £68,000, which is now over half of the regional average (£128,600). The number of house sales in the area has more than doubled, from 35 in 2000-01 to 86 in 2006-07. The Council and pathfinder are still firmly of the view that the housing market is still very fragile, and that market failure on a large scale is still a feature of the housing market generally in Inner Merseyside. Pathfinder research shows that without public sector intervention, the surplus of low value property would persist and the high vacancy rate and deteriorating environment would lead to further population loss.

Plans for Intervention

7 The area has been the subject of area-based initiatives and investment by the Council in the form of Housing Action Areas (HAAs) and General Improvement Areas (GIAs) since 1976 aiming to deliver a 25 year life to housing that in 1973 was earmarked for clearance. In 2000 the Council and CDS formed a joint venture company – Include Neighbourhood Regeneration Ltd (Include) – to take forward the area's regeneration, but a lack of funds prevented large scale action. The announcement of a pathfinder for Merseyside in 2002 provided an opportunity to transform the area, in a way that would provide a range of modern housing choices that could attract a diverse population, thereby revitalising the area. In February 2004 NewHeartlands agreed with the Department (now Communities and Local Government) that Princes Park would be a priority area for its strategic investment, and that the Welsh Streets would be subject to comprehensive demolition and redevelopment.

8 These plans fit within a wider strategic plan for the City. The Princes Park area is part of the City Centre South Zone of Opportunity, along with Dingle South, Lodge Lane, and Granby (about 13,000 properties or 6 per cent of all properties in Liverpool). There are nine Intervention Areas in Merseyside altogether, each established with the broad aim of intervening to renew the housing market by providing modern, high quality housing neighbourhoods and complementing other programmes run by the Council and other agencies to renew the land, employment and commercial markets nearby. In the case of the City Centre South Zone, the regeneration of the Zone is planned to form a bridge between the city centre itself and the thriving housing markets to the south.

Latest Developments

9 The Welsh Street plans have now been modified to clearance of 11 streets (444 properties) and refurbishment of the remaining 5. In place of the cleared properties, about 300 new properties will be built by Gleasons, which was given lead developer status by the Council in 2004. The Welsh Streets demolition and redevelopment programme is not expected to commence before 2009, until both the acquisition and re-housing of complete terraces, and the prospective Planning and CPO processes have been completed. In the meantime, for the three year period 2006-07 to 2008-09, the public and private investment programme in the Princes Park Renewal Area is estimated at £38.4 million, of which £6.7 million is to be funded by NewHeartlands for the acquisition of Welsh Street properties for demolition.

10 By August 2007 the Council had acquired 163 properties. Of 176 households relocated, 83 moved to new houses a few hundred yards away in Clevedon Park, 56 moved to other homes in the Princes Park area, a further 31 moved elsewhere within Liverpool and six moved out of the area for family or personal reasons.

Managing the process

11 Plan, design and implementation are conducted by a partnership of seven organisations (the Partnership). These are: NewHeartlands, the Council, Plus Group, Include, CDS, Gleasons, and Triangle Architects. The overall responsibility and authority for management lies with the Council. In mid 2003 a Stakeholder Panel was formed to implement both physical regeneration plans and a fifteen month 'intensive consultation process' developed by Triangle Architects. A new advisory group was also established - the Welsh Streets Steering Group - consisting of local interested parties, such as residents, local businesses, police, local councillors, and developers, to act as a 'design think tank' to influence plans developed by the Stakeholder Panel. In 2004 the Council undertook a Neighbourhood Renewal Assessment in the Princes Park area. Following the production of the assessment report the Council approved an Executive Board report which declared the Princes Park Renewal Area in late 2005.

Community Consultation

12 While engagement had been taking place between the Council and its partners with the community since 1999, formal consultation began on the pathfinder proposals in November 2003. The Partnership has supplied officers to deal with neighbourhood, business support and communications matters. The consultation has taken many different forms:

- Regular meetings of different community representative groups;
- Several public meetings/open days at a local community centre and school;
- Four Study Visits for residents, to sites in Manchester and Liverpool to view newly designed houses and neighbourhoods;
- Five 'Vision Events' held in local community centres to engage the community in the process of designing a neighbourhood plan. At each event an exhibition was set up to present residents with information on the area and future design options. Residents then discussed the exhibition topics and plan options;
- Weekly open surgeries for residents at the community centre from November 2003 to May 2004 followed by a 'Residents Resource Centre' at the Community Centre, where neighbourhood officers were available for discussion;
- Five surveys of the community, both postal and door-to-door; and
- Newsletters and flyers.

Figure 25 gives a chronological list of these events alongside milestones in the planning process for the Welsh Streets.

25 Chronology of community consultation events and intervention milestones

	Community Consultation Events	Intervention Milestones
2002		
April		Announcement of pathfinder on Merseyside.
2003		
May		The Council commissions CDS to choose a development team for Welsh Streets.
Sept		The Council selects Gleasons as lead partner on development.
Nov	Study Visit 1 to Manchester: 16 residents attended.	
Dec	Vision Event 1: 40 residents attended. Presentation of spatial/condition details of Welsh Streets. Study Visit 2 to Manchester: 10 residents attended.	
2004		
Jan	Vision Event 2: 41 residents attended (37 from Welsh Streets) - discussion of ideas for improvement.	
Feb	Study Visit 3 to Liverpool: 26 residents attended. Public meeting to introduce residents to Neighbourhood Renewal Assessment process. Vision Event 3: 24 residents attended (18 from Welsh Streets). Discussion of detailed options for redevelopment.	Penningtons Consultants appointed to carry out Neighbourhood Renewal Assessment study.
March	Vision Event 4: 141 residents attended (122 from Welsh Streets). Discussion of proposed plan for development, showing areas for demolition and possible layout of new housing.	Signing of NewHeartland's first funding agreement with the Department. Formation of Welsh Streets Housing Group.
May	Residents' Open Day: to provide feedback on Neighbourhood Renewal Assessment options appraisal and to obtain views on their neighbourhood and housing needs.	
July	Survey: of Welsh Streets Businesses published. Open Day: for Clevedon scheme: 100 attended. Residents Focus Group: held after 7pm to discuss resident priorities in more detail and their views on options for intervention.	
Aug	Vision Event 5: 26 residents attended (24 from the Welsh Streets). Drop-in session to allow residents to give feedback.	
Jul - Sept	Door-to-door survey of residents in Welsh Streets.	Condition survey of stock in Princes Park published.
2005		
Feb	Public Meeting for Princes Park residents to give feedback on outcome of Neighbourhood Renewal Assessment. 250 residents attended with 92 registering views.	Council Housing Select Committee publishes report on Princes Park.
March	Postal survey of Princes Park residents published.	
July/Aug		Housing Select Committee at Town Hall to discuss plans. Housing Select Committee passed plans.
Sept	Door-to-door survey: by consultants (Mersey Partnership) of Welsh Streets published.	Neighbourhood Renewal Declaration Report produced. Council unanimously declared Princes Park a Neighbourhood Renewal Area.

25 Chronology of community consultation events and intervention milestones *continued*

	Community Consultation Events	Intervention Milestones
2006		
Jan	Design Workshop: to discuss design options for the area: 70 residents and local business representatives attended.	
	Public Meeting: feed back to community on Outline Planning Application and Neighbourhood Plan: 54 attended.	
Feb	Public meeting: for local businesses affected by early phases of intervention.	
	Study Visit 4: to Manchester: 26 residents.	
	Public meetings x2: to update community on intervention plans including Outline Planning Application and Neighbourhood Plan: 26 attended.	
March		Submission of Outline Planning Application.
April		Princes Park Implementation Plan 2006-2009 published.
Nov	Public Meeting: to update residents on progress: 20 attended.	
2007		
		Commissioning of consultants to prepare characterisation assessment of Welsh Streets.
June	Public Meeting: for residents on heritage value of houses: 12 residents attended (letters also sent by 9). Event held between 10am and noon.	

National Audit Office Evaluation

A. In deciding on its demolition plans for the Welsh Streets, did the pathfinder and its partners have a thorough understanding of the neighbourhood and its community?

13 The Council based its successful bid for Housing Market Renewal funds largely on the reports from CURS¹⁶ in 1999 and the Housing and Environment study of the Princes Park area by Triangle Architects in 2001, both of which had concluded that the housing market in Princes Park was failing. The CURS work attempted to measure in detail the sustainability of Liverpool's neighbourhoods and to develop a housing investment framework for the city's inner core. Two reports were produced on renewing Liverpool's housing markets, including recommendations on reversing decline and managing change. The work identified those areas that were most at risk of market failure, based on threshold values for void properties and rates of turnover, and identified 'tipping points' that indicated that areas were in various stages of market failure. This was used to inform decisions about targeting areas for intervention.

14 The Welsh Streets were identified for demolition as CURS data showed they were suffering from severe decline, where vacancy rates – specifically private sector – were particularly high, often double or triple the city-wide rate, with many being long term voids. They also had the worst reputation, the highest turnover rate of residents and some of the most serious problems of crime in the Princes Park area. As a result of all this, the CURS put the Welsh Streets in the category of acute market failure. Taken together, the Council believed that radical intervention was necessary to address the issues that were found in the Welsh Streets, and that investment in the existing housing stock would not be sufficient to reverse the market failure that existed.

15 A detailed survey of structural condition was carried out in September 2004. This built on previous surveys such as the 2002 Include Housing & Environmental Delivery Plan (including proposals for the Welsh Streets) and the Welsh Streets stock condition survey completed by Adamsons, an international multi-disciplinary company of chartered surveyors and property consultants, for the City Council in 2003. A detailed heritage value report was carried out in June 2007. An attitudes survey was

¹⁶ Centre of Urban and Regional Studies, Birmingham University.

conducted by consultants in 2002-03¹⁷ and many residents have been involved in discussions with officers for many years about the conditions and issues in the area.

Structural Condition Report

16 The September 2004 structural survey of Welsh Street housing, carried out as part of the Neighbourhood Renewal Assessment of Princes Park, found that, of the 806 properties in the Welsh Streets, 87 did not meet Decent Homes standard (11 per cent), with a further 115 potentially not meeting the standard. This compares with 27 per cent of properties that fall below Decent Homes standard in England as a whole. The survey also found that three of the other five neighbourhoods in Princes Park – The Elms, Camelot and Princes/Devonshire Road – had houses in worse condition than the Welsh streets.

Characterisation Assessment

17 A detailed heritage survey was carried out when Gleeson commissioned Architectural History Practice in April 2007. The surveyors were asked to prepare a characterisation assessment of the Welsh Streets in accordance with English Heritage guidance, and to consider their context within their surroundings, including the two adjacent conservation areas near Princes Road. The draft report in June 2007 describes the majority of the Welsh Street properties as “unremarkable” in heritage terms and having “neutral value”. It does recommend, however, that consideration should be given to retention of 22 properties in Kelvin Grove (in addition to the 18 originally identified for retention) as well as 12 properties in High Park Street and 5 in Admiral Street and the retention of some of the parallel street pattern from Wynnstay to Treborth Street. And other options should be considered for 9 Madryn Street, the house where Ringo Starr was born.

Attitudes to housing and environment

18 Despite the failing housing market at this time, most residents in the Welsh Streets were happy with their homes. According to the *Welsh Streets Neighbourhood Plan Survey* of all residents in the Welsh Streets in November 2002 (report published February 2003) carried out by independent consultants Mott MacDonald, 73 per cent of residents said they were either satisfied or very satisfied with the quality of their home. Fifty per cent were either satisfied or very satisfied with the quality of housing in the area, with 40 per cent dissatisfied or very dissatisfied.

19 Residents were least satisfied with the cleanliness of the area (29 per cent satisfied), services for the elderly in the area (25 per cent) and facilities for young people in the area (18 per cent). When asked what needs to be done to improve the area, policing to reduce crime (74 per cent), play areas for children (73 per cent) and street lighting improvement (56 per cent) topped the list. When asked for other ideas to help develop the area, nine per cent of respondents suggested demolition.

Conclusion

20 The plans for demolition and redevelopment of the Welsh Streets, drawn up in detail in 2003, are part of a broad vision for the housing of Liverpool which has been developed by the Council for more than 30 years, given impetus and focus by the detailed work and recommendations of CURS from 1999 onwards. The case for intervention was based on the view that market conditions would not improve in a sustainable way without radical intervention. Although the Housing Market Renewal programme was not primarily intended to address issues of structural condition of the housing, heritage values or the nature of the existing communities, consideration of these issues was informed by the extensive knowledge of the neighbourhood built up over the previous thirty years and by new studies commissioned as part of the programme.

B. Has the community been properly consulted?

21 Recommended standards for community engagement in the Housing Market Renewal programme have been developed by the Chartered Institute of Housing in partnership with the Tenants Participation Advisory Service¹⁸. The first standard recommends that “Residents’ views are central to the Housing Market Renewal programme and to the pathfinder’s operations”. The second standard recommends that “all residents have full opportunities to be informed, consulted and involved”, and the third that “the effects of engaging communities are evaluated and results used to improve the process”. The following evaluation is based on testing against these standards.

Opportunities to be informed and involved

22 The number of events detailed in Figure 25 demonstrates the commitment of the Partnership to involving and informing the community from late 2003 onwards. Each partnership member supplied dedicated staff to the process, and each invested significant funds.

¹⁷ *The Welsh Streets Neighbourhood Plan Survey* – Mott MacDonald MIS, February 2003.

¹⁸ *Community Engagement in Housing-Led Regeneration: A Good Practice Guide – Annex: CIH/TPAS Recommended Standards for Community Engagement in the HMR Programme*. Published by CIH/TPAS 2007.

Awareness of proposals

23 Although the Chartered Institute of Housing standards recommend a number of actions, and the Partnership took action in all of these areas – as, for example, shown in the detailed list of events in figure 25 – we have looked in particular at action around awareness of proposals. There have been four surveys of residents of the Welsh Streets since the plans were announced in 2004. The surveys show the following results in terms of awareness:

- **July 2004:** Welsh Streets Businesses Survey. This survey of the seven businesses in the potential clearance area of the Welsh Streets was carried out by an officer of Include. Six (84 per cent) were not aware of the proposals at the time of the survey.
- **September 2004:** Welsh Streets door-to-door survey conducted by CDS Housing in conjunction with the Council of 370 head of households between July and September. The results of the survey were that 354 (96 per cent) interviewees said they were aware of the proposals.
- **March 2005:** Princes Park postal survey carried out by independent consultants Penningtons as part of the Neighbourhood Renewal Assessment. Five hundred and eighty two households (22 per cent of population) responded but were not asked a specific question about their awareness of proposals;
- **September 2005:** Welsh Streets potential clearance area (population 361 inhabited households) door-to-door survey: This survey was conducted by independent consultants Mersey Partnership. It interviewed 189 households (52 per cent), with 172 households either refusing to take part (83) or not contactable (89). Of those participating, 166 (88 per cent) believed they were either 'aware' or 'very aware' of the redevelopment proposals.

24 From these results it is difficult to make precise conclusions about when residents became aware of the Partnership's proposals. The Business Survey of July 2004 (six out of seven are shops) shows clearly a lack of awareness at the time of the survey. The residents' survey shows a clear awareness. The differences in the results of these two surveys may result from the conducting of the surveys themselves helping inform residents of the existence of the proposals during the summer of 2004.

25 From the surveys conducted in 2005, it is also clear that, even though there had been a significant number of events and meetings, a minority of residents were still either not aware or not prepared to be involved eighteen months to two years into intensive consultation. One in five residents of Princes Park responded to the March 2005 survey. In the September 2005 survey, half of the residents in the Welsh Streets responded, with half of non-respondents refusing to do so. And of those who did take part, one in eight was still not aware of the proposals. Many others asked for further information.

Residents' Representatives

26 The Partnership uses WDC Residents Association as the residents' representative group for the Welsh Streets. This association, established for more than 20 years, has built up close links with members of the Partnership, and its resource centre on High Park Street is shared and funded by Include. The Partnership has invited the association on to both the Stakeholder Panel and the Steering Group, and uses their feedback in influencing and refining their proposals.

27 While many residents in the Welsh Streets were happy with this arrangement, others felt that WDC did not represent their views, and were de facto campaigners for demolition. In summer 2004 a section of these residents set up their own residents' association – the Welsh Streets Homes Group (WSHG). The members of this new group were largely opposed to large scale, though not selective, demolition. Tension has grown between the two Residents' Groups as positions for and against the proposals have hardened. WDC members told the National Audit Office that they felt the WSHG were holding up the plans for selfish reasons, and were bringing in outsiders including the national press as propaganda for their cause. WSHG members told the National Audit Office that they felt the WDC were intransigent in backing the Partnership's plans and were unrepresentative of residents. WDC also allege that the WSHG is unrepresentative.

28 Neighbourhood Officers told the National Audit Office that in Summer 2007 they estimated that there were about 20-25 active members in WDC and about four to five belonging to WSHG.

29 The Partnership have assured the National Audit Office that they have been fair to all residents, for example allowing equal time for both sides in the debate of proposals at important public meetings, and inviting members of WSHG on to the Steering Group. The perception nevertheless remains amongst some residents that their views are not getting a fair hearing.

Other feedback channels

30 The comments made at Surgery Sessions – where residents could come into Include’s offices at certain times and register comments – were collated by Triangle Architects and made available at public meetings and exhibitions. The National Audit Office saw many comments made on Surgery Session sheets, surveys and other minutes, but found that, beyond making them available, there was no systematic way in which these comments were used to influence the varying of the proposals. And no mail or e-mail address was made available for responses from residents.

Conclusion

31 The Partnership has taken forward many measures to engage the local community, including meetings and study visits. Differing views within the community have made it a particularly difficult and sensitive situation to manage. In our view this shows the need for all the pathfinders to be even more sensitive to different groups in their communities, and to make even greater efforts to ensure that all events, consultations and surveys are as inclusive as possible.

C. Does the Community support the proposals?

32 The most important part of the consultation for evaluating results has been the surveys. Analysis of the results of these surveys, and checking them against other evidence on the ground is vital in assessing whether the residents are genuinely in support of demolition or against it. Survey results have shown the following:

■ July 2004: Welsh Streets Businesses Survey

Include officer surveyed the seven businesses in the Welsh Streets. Six out of seven (84 per cent) did not support the proposals.

■ July-September 2004: Door-to-door Survey

Council and Include officers conducted interviews with 370 households in all 16 Welsh Streets. 72 per cent of those interviewed (203 tenants and 67 owner-occupiers) expressed support for the emerging proposals to clear and re-develop part of the Welsh Streets.

■ Princes Park Socio-environmental Postal Questionnaire

This survey was carried out in late 2004/early 2005 by Pennington Consultants as part of the Neighbourhood Renewal Assessment. The questionnaire was posted to all households in the

Princes Park area. 582 (22 per cent) households responded, with 459 (79 per cent) indicating support for selective demolition. An analysis of responses to the formal statutory Notice of Intent to declare a Renewal Area showed an equal number of residents supported as objected to the NRA proposals.

■ September 2005: Door-to-Door Independent Survey of Welsh Streets

This survey was carried out by consultants, Mersey Partnership, on behalf of the Council “to establish the level of awareness and support for the overall proposals to regenerate the Welsh streets area”. The Council supplied the researchers with a list of all of the 502 addresses in the Welsh Streets. 135 of these were vacant properties, and 6 related to a residential care home. Of the 361 ‘eligible’ addresses, 172 either refused to participate or were not available after three attempts to contact. 189 residents therefore responded.

Mersey Partnership asked three questions about supporting the proposals:

- “Do you support the overall regeneration proposals for the Welsh Streets area?”
52 per cent supported the proposals, while 42 per cent did not.
- “How strongly do you agree or disagree with the future clearance of the house that you live in to make way for the building of new homes?” 62 per cent either agreed or very strongly agreed, with 31 per cent disagreeing or strongly disagreeing and seven per cent either not knowing or were indifferent.
- “Are there any additional comments or suggestions you would like to make about the Welsh Streets regeneration plan?”
71 respondents made further comments, of which 25 were in support, 16 were against, and 30 asked for more information.

Conclusion

33 Three out of four surveys show a majority in favour of demolition, with only the business survey strongly opposed. As in all surveys, there should be some caution in interpreting results, which can depend on response rates (although, by general standards, these have been high), and on the detailed questions asked.

D. Has the community been well supported during change?

34 NewHeartlands, in partnership with the Council, has developed 'Living Through Change' as a process for supporting neighbourhoods subject to physical intervention in Liverpool. This involves a number of actions, including 'target hardening' of occupied and vulnerable properties through provision of additional security measures such as locks and burglar alarms, intensive monitoring of vacant properties to maintain their security and ensuring street lighting is maintained and fly tipping is dealt with quickly. Neighbourhood officers also act in part as wardens, engaging with the communities on a daily basis, and doing their best to prevent criminal behaviour.

35 There is nevertheless a dilemma facing the authorities in maintaining neighbourhoods subject to clearance, which is evident in the Welsh Streets clearance area. The difficulty is striking the right balance between clearing areas as quickly as possible once proposals have been agreed, by encouraging existing residents to decant and keeping properties vacant, and maintaining the neighbourhood for the benefit of residents not yet moving and to ward off crime.

36 The National Audit Office spoke to a number of Registered Social Landlords in Merseyside who told us that they kept properties vacant to 'help speed clearance'. They argue that it is not in their interests to house new tenants if there is a risk that the property will no longer exist in a few months. In addition monies allocated to neighbourhood maintenance are often diverted to other neighbourhoods nearby which are planned to be retained. There is an ongoing programme of improvements to houses in the Welsh Streets scheduled for refurbishment, with the Council providing grants of up to £10,000 each to improve the external appearance and condition of these properties in order to improve their sustainability. It is recognised that houses in the Welsh Streets waiting several years for demolition may present severe problems for their occupants and accordingly grants of up to £2,500 are being made available to pay for essential repairs where these are required.

37 The differential of investment between a potential clearance area and adjacent neighbourhoods means that property prices may well be affected. The Welsh Streets potential demolition area properties were valued

at about £65,000 at the end of the first quarter of 2007, with a similar property costing £85,750 in adjacent neighbourhoods. This differential of £20,750 would have to be found by owner occupiers under Compulsory Purchase Orders. To address this, a considerable support package is already in place to assist residents who have to move as a result of demolition proposals. In addition to the value of their current property, each household is entitled to a statutory disturbance payment to cover the costs incurred in moving house, such as removal fees etc. Statutory home loss payments are provided to owner-occupiers of 10 per cent of the property value, with qualifying tenants receiving a flat payment of £4,400.

38 And where there is an affordability gap between the value of the property being acquired and a replacement property, an interest-free relocation equity loan of up to £35,000 is made available to bridge this. The owner is not required to make any repayments over the life of the loan, and instead repays the loan at the point at which the property is sold or transferred. Support is also provided through a Home Ownership Advisory Officer service which will provide advice, guidance and support on the options that are available to owner-occupiers, and through the provision of independent financial advice. Support is also provided throughout the process of purchasing the new property, and if the resident is particularly vulnerable additional support is provided to assist with the move. NewHeartlands has been leading work at a pathfinder level to try to secure private sector funding for equity relocation loans that are provided to assist owner-occupiers to purchase replacement homes. If successful, this will reduce the level of public sector funding required to deliver this part of the programme.

39 Many residents of the Welsh Streets have wanted to be re-housed with their old neighbours either in the Welsh Streets area or nearby. The Clevedon Park scheme – a new development a few hundred yards away from the Welsh Streets – has accommodated 83 households so far, with 105 of the 107 properties allocated to residents of the Welsh Streets. However, there have been delays in completing the remaining 24 homes which are specialist units scheduled for the most vulnerable decantees (category A). These decantees have therefore been unexpectedly left in their houses in the Welsh Streets while the work is completed, and many have needed care in dealing with this situation, especially in coping with isolation and fear of crime attracted to surrounding vacant properties.