

NewHeartlands

Business Plan Update

2008 – 2011

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01 / Introduction

This short submission to the Homes and Communities Agency sets out the case for funding the programme at 110% of the HMRF expenditure announced last year, as well as setting out the implications of 100% and 90% allocations. In doing so the submission first highlights the forward strategy for the initiative detailing how it will respond to a rapidly changing policy environment. The document then highlights the principles which have been applied to the development of the 110% programme prior to this submission. Finally, the detail and the impact of the proposals at 110%, 100% and 90% funding are briefly set out.

The need to restructure local housing markets in the inner core of Merseyside reflects the scale of market failure in this part of the conurbation which was, and remains, the most serious faced by any area in England. The history of population loss combined with the most extensive and concentrated deprivation in the country has left a legacy of failure in the land labour and housing markets. This has created a downward spiral in some localities which will need focused interventions by the public sector to reverse. The NewHeartlands programme has made a significant contribution in addressing the issues of market failure and neighbourhood renewal in the first five years of its operation. The Business Plan submitted to the Department for Communities and Local Government in 2007 sets out the mission statement of the programme, and outlines the focus for investment, in addition to highlighting an excellent track record in delivering the first phase of regeneration.

The NewHeartlands Initiative has now completed five years of a fifteen year strategy and programme to restructure the failed segments of the inner Merseyside housing market. National market fluctuations have made little impact upon the popularity of, or vacancy rates in, the neighbourhoods which failed during the mid 1990s. The extent of the failure meant that the public sector had to develop intervention strategies of a type and scale appropriate to the identified problem. The NewHeartlands programme has 70,000 properties in identified regeneration zones of which 30,000 properties are subject to intensive neighbourhood based interventions. The emerging evidence suggests that it is this public sector investment which is beginning to generate positive change in respect of vacancies, neighbourhood turnover and private sector investment.

The NewHeartlands Partnership welcomes the opportunity to provide a case for accelerating the regeneration of inner Merseyside, and we believe that there are strong social, economic and Value For Money reasons for doing so.

02 / Partnership Working, Delivery and Progress

The track record of delivery achieved by this Pathfinder is based upon excellent partnership working arrangements: long term developer agreements with housebuilders experienced in community regeneration are in place; lead RSL partners are taking forward neighbourhood management and stock rationalisation initiatives; and the programme performs well on strategic alignment with services such as health, education and transport.

Significant achievements on the ground include:

- Substantial private sector newbuild completions in areas previously unattractive to developers (in some areas achieving the first private sector newbuild post 1918);
- Harnessing the joint resources of partner RSLs to achieve high levels of stock decency and support for communities affected by market restructuring;
- Targeted approaches to clearance and site assembly, with buy-in from the local community;
- Major contributions to forging mixed income/mixed tenure communities through partner/community master planning and clear local and strategic planning policies;
- Effective community engagement and communication with a strong emphasis on place marketing to attract and retain population; and
- Initiatives to tackle worklessness through local job creation linked to the programme.

This submission is presented to the HCA at a time when it is evident that the programme is beginning to impact upon the issues of chronic housing market failure which existed at the beginning of the decade. The evaluation of the Pathfinder has noted the following outcomes:

- 1835 New build completed or underway in several key locations;
- Neighbourhood turnover has been dramatically reduced;
- Vacancies have been reduced in neighbourhoods which are adjacent to those being restructured as positive displacement of demand has occurred to more sustainable neighbourhoods;
- Community consent has been achieved to local transformational strategies in 16 neighbourhoods which were not sustainable;
- 10 CPOs have been confirmed giving certainty to the redevelopment process; and
- The social rented sector has largely been restructured following stock transfer in all three local authority areas;

However, significant challenges remain which will need to be overcome to maintain the momentum achieved in the first five years.

The Sub National Review of Economic Development and Regeneration has set out the framework to develop responses to social and economic change at a local, regional and national level. The framework helpfully distinguishes between growth and regeneration as these are two themes which underpin the approach in Merseyside to market restructuring. The Sub National Review focuses on increasing competitiveness and breaking the cycle of deprivation. These are themes which have informed the forward strategy and they are reflected in the developing regeneration frameworks for the NewHeartlands intervention area.

The Board of NewHeartlands has recently approved a Forward Strategy for the initiative which responds to the Sub National Review. The main components of this approach are as follows:

- A framework is being developed which will measure outcomes for intervention areas in line with the guidance set out by DCLG. Integrated area action plans will be based upon an appropriate geography for each local authority, and may, for example, include non-residential sites which can be brought forward for economic development;
- The three local authorities which comprise the NewHeartlands initiative will devise and sign a concordat which will illustrate how joint working and policy coordination will be developed to 2011 and beyond; and
- The new framework for regeneration will be clearly linked to the Local Government performance framework, and will be reflected in the LAAs and MAAs being negotiated with Government;

The proposals set out within the Forward Strategy will create the local framework for the programme going forward as new policy frameworks emerge at a national and regional level. In addition, the case for a 110% allocation of funds to 2011 has taken into account the changing international and national economic context for regeneration which has emerged since 2007. In developing the case for additional funding the following principles have been established:

- Resources should be deployed in a way which mitigates the impact of the credit crunch;
- Resources should provide a step change in activity;
- Additional investment should support interventions that optimise the position of the Pathfinder for the post-crunch period;
- Additional funding should have a demonstrable impact upon distressed neighbourhoods; and
- Where possible, proposals should demonstrate the innovative use of assets.

The following sections of this submission detail the impacts of an expenditure allocation of 110%, 100% and 90% of the sum provisionally agreed following the discussions about the 2007 NewHeartlands Business Plan.

04 / 110% of the provisional funding allocation

The NewHeartlands partnership has followed the principles set out above when designing a programme at 110% of the provisional allocation. The proposals brought forward by the three local authorities aim to accelerate our development of key sites, reduce community stress through an enhanced acquisition programme, speed up new development, and develop new asset based delivery vehicles. The proposals will have a significant impact on three key neighbourhoods where regeneration is a priority for the Market Renewal programme. These neighbourhoods are:

- Anfield. An area of approximately 4960 properties the vast majority of which were constructed prior to 1919. The area has suffered a vacancy rate over 30% in some streets for more than 15 years. The area has a confirmed CPO and a private sector new build programme has completed its first phase. The additional resources for this area will support the development of that new build programme, provide assistance to house purchasers and provide support to explore the development of an asset based vehicle;
- Klondyke. This is a neighbourhood of 1,000 19th century back of pavement two up two down terraced houses surrounded by derelict and contaminated sites adjacent to the Leeds and Liverpool canal. Already subject in part to a confirmed CPO, the proposals are part of a comprehensive scheme which involves extensive restructuring of land uses and the creation of a new urban village. The extra funding will accelerate the removal of the worst and lowest value housing matched by the development of new private housing on a rolling programme;
- Birkenhead. The Milner/Carrington Streets area in North Birkenhead is an area of severe housing market decline with one of the highest rates of worklessness in the country. It is a declared clearance area where the pace of acquisitions has been rapid and there is an extensive list of properties where a commitment to purchase has been made. The regeneration of this area is part of a wider scheme to include redevelopment of adjacent areas alongside the Peel Holdings proposals with a £4.5 billion investment programme for Wirral's dockland area which will create 27,000 jobs and develop 500 acres of underused land. Additional investment will enable faster redevelopment and land assembly to harness the potential economic benefits of housing led investment in Birkenhead. The funding would also enable a programme of assistance for first time buyers in areas where the HMRF programme is more advanced.

05 / Enhanced Programme Outputs/Outcomes

The additional investment will produce a significant acceleration of regeneration within the three specified areas with the following additional outputs being achieved over the next few years:

- The development of 514 new dwellings facilitated by the assembly of 12.85 acres of land;
- 140 vacant properties being reoccupied;
- 75 households rehoused;
- 91 households receiving assistance to purchase newbuild property;
- 308 obsolete properties to be cleared or purchased prior to clearance; and
- Feasibility work being completed relating to the establishment of four asset based delivery vehicles.

This acceleration of regeneration is possible because of the engagement of the Pathfinder in discussion with partners to ensure resources are “stretched”. This process has involved:

- Negotiations with financial institutions to pilot public sector financial assistance models targeting first time purchasers to enable them to access owner occupation;
- Developing a flexible approach to tenure through rent to purchase schemes with HMR providing the minimum support necessary to allow local people to access newbuild;
- Matching potential purchasers in regeneration areas with the newbuild supply currently being offered by developers thereby reducing newbuild vacancies and maintaining the confidence of house builders; and
- Engaging with RSL partners to co-ordinate property acquisition.

06 / 100% of the provisional funding allocation

A 100% financial allocation will allow our three local authority partners to meet their legal and financial liabilities and make considerable progress within the key intervention areas. The Partnership is confident in delivering a large programme of change to 2008/11 despite the negative economic conditions which currently prevail.

By way of illustration, the target outputs for 2008/09 are 603 new build, 1,886 refurbishments, 442 acquisitions and 664 demolitions. At the half-year statement to the CLG we are ahead of schedule and despite the current economic climate forecast that we will achieve or exceed these targets.

The core outputs resulting from intervention between 2009/10 and 2010/11 have been reprofiled to reflect the provisional 100% allocation and the changing cost base for Market Renewal where possible (see paragraph below).

The indicative funding scenario of £51 million in 2009/10 and £47 million in 2010/11 will produce the following outputs:

The present funding period of 2008/11 will therefore result in 2,299 new build, 5,467 refurbishments, 1,128 acquisition and 1,923 demolitions. These figures illustrate that the HMR programme is now starting to make a real difference on Merseyside.

In addition, this level of HMR funding will secure private sector funding of £49.1 million in 2009/10 rising to £63.0 million in 2010/11 and the directly levered in public sector funding will be £26.5 million in 2009/10 and £26.1 million in 2010/11. For 2008/09 the figures are forecast to be over £60 million for private sector and over £30 million for public sector leverage.

The flow of private sector investment has been progressively increasing into regeneration areas because the Housing Market Renewal Fund investment is building the confidence of investors and residents. The 100% allocation is the minimum needed to sustain momentum and confidence in the current environment.

	2008/09		2009/10		2010/11		Total	
	HMR	Match	HMR	Match	HMR	Match	HMR	Match
New Build	409	194	604	219	722	151	1735	564
Refurbishments	406	1480	674	1147	646	1114	1726	3741
Acquisitions	385	57	340	49	232	65	957	171
Demolitions	563	101	471	66	642	80	1676	247

07 / Impact of the changing economy on costs and receipts

The deterioration in the housing market and the resulting falls in economic activity have had an impact upon the costs and receipts relating to housing market renewal activity. A summary of these changes based upon recent transactions is set out below:

- Vacant land values have fallen by 50% - 60% within the HMRI area;
- Recent demolition tenders have seen reductions in expected costs, in one case at a value of around 40% of the estimated contract sum;
- The cost of acquisitions following CPO have not yet seen a substantial reduction as there are time lags associated with negotiations with owners and the completion of purchases; and
- There is some evidence that contractors are willing to negotiate specifications for group repair schemes to reflect lower cost profiles.

In conclusion, the current economic conditions have created a dynamic environment in relation to costs and receipts. Economic activity is falling and this is particularly evident in the construction industry. These cost changes will lead to efficiency gains although until the situation stabilises it is unclear to what extent this will impact upon planned interventions and specific localities.

08 / 90% of provisional expenditure allocation

The Audit Commission has identified the NewHeartlands Pathfinder as having a strong need for continued investment and this reflects the fact that the area contains 10 confirmed CPOs and 16 investment areas. Additionally, in Liverpool, a Race Equality Impact assessment has highlighted an urgent need to accelerate the programme so as not to discriminate against certain groups and hence be in breach of legislation.

The NewHeartlands programme has built up a momentum which is supported by residents and RSL and developer partners. Any reduction in expenditure will hinder progress to the extent that serious issues relating to social cohesion will emerge. The NewHeartlands programme has, through confirmed CPOs (i.e. with the Secretary of State's agreement), entered into more legal liabilities than any other Pathfinder. A 90 percent allocation will cast doubt on the ability of the local authorities to meet legal and financial obligations. The commentary in this section reflects the need for continued investment at scale.

The impact of a 10% reduction in funding would be to jeopardise the compulsory purchase commitments given at Public Inquiries. The CPOs will expire during 2010 and 2011 and there is a real danger that the CPO process would need to be revisited following a 10% reduction in expenditure. This would delay the regeneration of some of the most deprived areas in the country and discredit this programme of activity locally and nationally.

In addition to the identified impact upon the progress of CPOs and the Race Equality Impact Assessment in Liverpool, in Wirral and Sefton a cut of this size will leave key strategic sites undeveloped, and in one case, result in continued dereliction in an area where 97% of the properties have been acquired for clearance.

The confirmation of the 100% provisional financial allocation for Housing Market Renewal will allow progress to be made towards the objectives set out in the 2007 Business Plan. It does not however, allow the Pathfinder to develop the innovation outlined at the 110% level as the resources are not available to support these schemes. The 110% allocation will allow the process of regeneration to be significantly accelerated in three key locations maintaining the crucial confidence of residents and developers during difficult times. The additional 10% allocation will also pump prime redevelopment in the period following 2011 when the market should be exhibiting signs of recovery. Allocations at 100% or 110% will assist to preserve the development capacity within the sub region insulating skills, expertise and employment as the sector shrinks at the national level.

The additional resources released by a 110% allocation will make a real difference in the three locations highlighted in this document. All of the areas are exhibiting signs of social stress associated with the regeneration process and additional expenditure will be targeted at moving residents who are currently living in depopulated streets. Anfield, for example, has a 15 year time frame associated with the redevelopment programme and resources which allow the programme to accelerate will give confidence to residents who are not directly affected by CPO proposals, but who are living through the period of change. If these individuals start to disinvest in their property then the public sector costs associated with regeneration will rise. There is therefore a Value For Money argument in addition to the social drivers for accelerating investment and progress in key neighbourhoods.

The additional interventions made possible by an uplift in HMR allocation respond positively to changing economic and market conditions and generate a step change in regeneration from a relatively modest injection of finance. The proposals would keep the redevelopment process moving during 2009 and 2010 and build delivery capacity for the period 2011 and beyond. NewHeartlands has built the infrastructure, experience, expertise and capacity to invest additional resources up to and above 110% of indicative funding. Our ability to identify, and employ, short term tactical responses that contribute to long term strategic goals demonstrates the inherent strength of the Partnership and the level of need that exists on Merseyside. Given current market, financial and economic conditions, this ability offers real and tangible benefits to our partners, stakeholders and most of all to the communities where we work.

The NewHeartlands Partnership has not viewed the development of this submission as an opportunistic request for funding, rather it is the outcome of the development of a forward strategy which responds to the Sub National Review and associated changes in the national policy framework relating to housing and regeneration. The NewHeartlands Partnership remains fully committed to the strategy of market restructuring and reaffirms its importance to the regeneration of Merseyside. This submission builds upon progress in the first five years of operation whilst developing innovative responses to rapidly changing circumstances.



Contact

NewHeartlands
1st Floor
North House
17 North John Street
Liverpool L2 5QY

Tel: 0151 233 2660
www.newheartlands.co.uk