

NewHeartlands Housing Market Renewal Programme Interim Evaluation

Synopsis of Findings and Recommendations

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1.0 Introduction

In December 2005 Ecotec were commissioned by NewHeartlands to produce a long-term evaluation of the impact of this Market Renewal Pathfinder. An early output from this commission was an interim evaluation of the first phases of the housing restructuring activity. This interim evaluation has been produced as a suite of reports, each of which needs to be read in conjunction with this synthesis report. The outputs from the interim evaluation include the following:-

- A Housing Markets Report ;
- A review of Governance arrangements ;
- A review of the operation of the Programme and Project interventions ;
- A summary of Partners perceptions
- A paper on the issues of adjacency and displacement which arise from the implementation of the Programme.
- The construction and review of the series of baselines which have emerged since the year 2000.
- A long-term evaluation framework.

This report outlines a summary of the findings highlighted by each of these followed by a series of recommendations relating to the findings.

2.0 Findings

This interim evaluation has produced a rich array of information, findings and observations some of which will guide the development of the evaluation and future research programme, others will require an operational and/or policy response to strengthen the initiative. Some elements of the research provides qualitative findings which do not lend themselves easily to policy responses, as they relate to a highly disparate set of opinions covering a wide range of issues. Nevertheless, the reports do highlight a number of areas where consensus was not apparent, and the Board may wish to consider how these issues can be discussed.

A summary of findings from the constituent reports is summarised below.

2.1 **Housing markets report**

The housing market report sets out the evidence and trends which led to the designation of the NewHeartlands area as a housing market renewal pathfinder and tracks the most significant changes which have occurred since the inception of the programme.

The Merseyside Housing Market Renewal Area contains England's poorest communities as defined by the Index of Multiple Deprivation and has experienced some of the most traumatic decline witnessed in any western European city over the last seven decades.

Whilst economic and population decline has been a characteristic of inner Merseyside, this has been most severe in Liverpool. In the seventy years prior to the 2001 census the city's population reduced by 49 per cent. The impact of this population loss on the inner city has been profound, with many neighbourhoods not experiencing any new private sector development during the 20th century, and this lack of developers interest combined with population loss has meant that inner city areas have experienced a reduction in facilities such as shops, local pubs and other social and economic amenities.

The markets report examined how the key housing market variables have changed since the Housing Market Renewal Programme was developed in Merseyside.

In respect of the vacancy rate, the message is simple and clear. Over the period 1991-2001 the NewHeartlands area experienced a significant net loss of properties but the rate

of vacancy actually increased. This underlying trend for vacancies to increase has not diminished in recent years. For example in Liverpool over the period 1998 to 2005 the city council demolished three per cent of the housing stock and the vacancy rate only reduced by 0.7 per cent. In the absence of a Market Restructuring Programme vacancies would therefore still be increasing.

There is not such a clear explanation in relation to the trajectory of house prices since 2003. Several key influences on this variable have been identified:

- The Scale of Public Sector intervention in housing within the NewHeartlands area has such a critical mass that it is both shaping and supporting the market through acquisitions and refurbishments.
- There is evidence of significant speculative activity following the announcement of the Capital of Culture and Market Renewal Programme.
- A boom in Buy to Let activity which has been observed not only in NewHeartlands but in weak housing markets across the Midlands and the North.

A combination of the factors above have increased prices, and have increased significantly the cost of public acquisition. Given that the underlying vacancy rate is increasing in these areas, and speculative activity seems to be reducing, it is questionable whether the recent increase in values would be sustainable without sustained Public Sector intervention.

The markets report also revealed that even within this market which is heavily publicly subsidised and experiencing speculative activity and raised price expectations, that some parts of the Market Renewal Area remain exceptionally weak.

The market within the NewHeartlands area is now entering a transitional phase where increasing acquisitions should reduce the surplus of housing in the terraced sector, supporting prices in the remainder of the retained stock, and the increasing rates of new build in some locations will start to increase average house prices across the target areas. House prices will over the next few years be an unreliable indicator of the underlying health of the local housing market, as Public Sector intervention and its outcomes will increasingly be influencing short term to medium term fluctuations in supply and demand.

2.2 **Governance**

This report on Governance examined the effectiveness of governance arrangements in NewHeartlands. Because of previous and ongoing scrutiny by the Audit Commission and ODPM, this evaluation has been "light touch" and so has not been an in depth examination of governance arrangements such as risk or financial management, or the development of strategy. Rather it has interviewed a range of board members and the Managing Director, and also looked at reports provided to the Board to achieve an overview of arrangements for policy development, performance management, consultation of residents, and communications.

This review found that the Board has been developed over two years into a membership body of a status and diligence which is effectively performing the range of roles expected of it. Overall there is a consistent view that the Board is working well, is well chaired and well supported by the Managing Director and her staff.

The Board is a learning body, and there are development requirements to enable it to play an increasingly effective role both locally and regionally. The Chair and Managing Director are aware of these requirements and are addressing them.

The review highlighted very good working relations between members and officers, and a high degree of mutual respect. Members regard the Board as well led by the Chairman and well supported by the Managing Director and her team.

2.3 **Programme and Policy**

2.3.1 Project appraisal

The project appraisal report looks at the operation and implementation of the NewHeartlands Merseyside programme of Housing Market Renewal on Merseyside. This is based on a sample review of a number of project interventions, which have taken place in the last two years.

The evaluation at the intervention/project level is an integral part of the NewHeartlands evaluation programme.

Ecotec has been commissioned to carry out a long term evaluation of the pathfinder. NewHeartlands and Ecotec recognise, first that an evaluation should be undertaken of early pathfinder work, and also that this can form a pilot evaluation for the longer term more extensive exercise.

The purpose of this element of the interim evaluation was to provide an understanding of the effectiveness of projects funded through the HMR programme in terms of impact and outcomes and importantly at this stage, the appropriateness of implementation arrangements and the role and contribution of partners in delivery. A further purpose was to establish whether sample projects are contributing towards positive change within the area.

NewHeartlands has been in existence for three years. In that time local authorities and NewHeartlands have instigated and begun to deliver a range of project interventions. There are also a number of projects which pre date the pathfinder, but have been incorporated into the housing market renewal initiative. Some of these were set up to deliver work on the ground as soon as possible and this was before the current appraisal processes were established.

The report recognises that the working environment is not perfectly planned, and that the two year funding regime that many projects have had to work in is not always commensurate with project aims.

All projects showed progress, however, it was not always possible to identify aims, objectives and milestones to accurately track progress. It was also not always possible to identify explicit linkages between the projects and the objectives of the pathfinder and the drivers identified in the housing market.

There was variation in the monitoring information which different projects were able to provide for the interim evaluation. It is likely that an explanation of the variation in information provided, may be that for some projects summaries were provided, or monitoring information as requested by Ecotec did not match that used by the projects. Whatever the explanation, the interim evaluation highlights a need to have a NewHeartlands wide monitoring process, which is able to establish how a project is delivering against its own objectives and those of NewHeartlands, and what impact a project is having on the drivers for change. Given the range of authorities, agencies and partnerships delivering the interventions, it is also important that this process is consistent across the organisations and easy to use.

2.3.2 Adjacency and displacement

This part of the interim evaluation examined the work carried out to ensure the potential displacement effects of the programme were reviewed. Research was conducted with stakeholders, including a Planning and Housing Officers Seminar to develop and outline framework for future monitoring of displacement and adjacency.

It is anticipated that the activity related to the Pathfinder programme will have some displacement impact both within and outside its boundary. Research commissioned by NewHeartlands and conducted by Amion Consulting¹ has suggested that the area of greatest potential for displacement impacts will be located in the relatively small number of wards that lie adjacent to the HMR area.

Drawing upon the research undertaken by the Amion Study and the discussions held at the Planning and Housing Officers Seminar, it was agreed that for the purposes of the NewHeartlands interim evaluation a framework for measuring the impact of Displacement and Adjacency should have the following three elements:

- Local level - over the short term the impact of the HMRI programme should be measured at the local/neighbourhood level.
- Adjacent level– the impact of the Pathfinder Programme on adjacent areas within and outside the Pathfinder programme will need to be considered over the medium terms as clearance programmes and development programmes are implemented.
- Sub - Regional level – over the longer term the impact of the Pathfinder programme on the wider sub-region will need to be evaluated. As referred to in the point above, it is recommended that the Pathfinder's resources will need to be fed into this as part of the longer term evaluation of its programme.

The ongoing evaluation of the NewHeartlands programme will be an essential element of monitoring and measuring displacement and adjacency impacts. The framework which is currently being developed by Ecotec will need to monitor displacement and adjacency at the spatial levels described above within an appropriate time scale.

As clearance and redevelopment programmes are implemented over the medium and longer term it will be increasingly appropriate to carry out this examination of adjacency at the pathfinder rather than the project / neighbourhood level.

2.3.3 Partner Perceptions

The Partner Perceptions paper reviewed the perceptions of NewHeartlands and the programme of housing market renewal on Merseyside from a range of partners and other stakeholders. This perception testing has also been used to inform the evaluation framework prepared as the basis for the ongoing evaluation of the NewHeartlands programme of Housing Market Renewal.

¹ NewHeartlands, Displacement, Adjacency and Additionality, Amion Consulting, August 2005

Perceptions of NewHeartlands were generally positive. There was a consensus that housing market renewal was needed, and that NewHeartlands has made a difference. It was taking a good lead in bringing partners together and linking in with other pathfinders. There had been effective engagement with communities, but they now needed to see results.

It was unclear among some partners as to whether NewHeartlands had direct responsibility for the programme, was a conduit for funding or had a coordination role. Related to this, there was a lack of clarity about the nature of the pathfinder's relationship with the local authorities. This linked with comments about frustration with project delivery by local authorities, where the pace was slower than had been hoped for. There was speculation among partners that in parts of some local authorities, appropriate priority was not being given to housing market renewal.

There was a consistent view expressed that NewHeartlands were undertaking a difficult job in difficult circumstances, and that the NewHeartlands team, although small, had grasped a range of difficult issues and processes and worked very effectively in building and nurturing relationships.

3.0 Recommendations

The body of reports which underpin this paper contain a number of recommendations, this document synthesises these observations into ten key recommendations which are outlined below:

3.1 Housing Markets Report

- 3.1.1 The analysis of the housing market points to significant increases in activity in the Private Rented Sector and speculative activity. It is likely that the growth in this sector facilitated by Buy to Let activity, means that it is currently the fastest growing tenure in the Pathfinder Area. The extent of the growth of this sector and its geographical location needs to be identified as a priority within the programme of research.
- 3.1.2 Aligned to the points above, more qualitative work needs to be conducted with the customers of this growing sector. Questions arise relating to the choices and aspirations of households who are privately renting. It is likely that this market contains a number of segmented sub-markets which appeal to different socio-economic groups and types of households. Each of these segments may require a different policy response.
- 3.1.3 The NewHeartlands approach to market restructuring is predicated on a series of large scale area based initiatives. To successfully evaluate the programme the researchers will need to assess the relationship between inputs, outputs and outcomes at the area level. Currently there is no systematic connection of financial inputs at the area level that allows this analysis to be completed. This needs to be rectified as soon as possible.
- 3.1.4 There needs to be a greater degree of consistency in terms of data collection and analysis across the Pathfinder. This is particularly in respect of vacancies by tenure and duration. This information has been included in the markets report for Liverpool and the constituent intervention areas. However the Sefton and Wirral sections of the markets report are work in progress. Historically data has not been collected and analysed across the three local authorities in a consistent format and in Sefton and Wirral work is underway to provide relevant markets data in the format needed for the markets report. It will be important to develop systems to ensure consistent monitoring of data at an appropriate local scale across the Pathfinder.
- 3.1.5 Since 1997 the largest change in flows into Northern Cities has been generated by international migration. The impacts of this is little understood within the Pathfinder. There is little evidence that this has made an impact within the NewHeartlands area,

however this itself poses questions about the attractiveness of the area, international perceptions, and the local economy. This is an issue which requires further exploration.

3.2 **Governance**

- 3.2.1 The NewHeartlands Programme currently delivers around £150 million of Public Sector resources per annum into housing within the intervention area. The reason why this HMRF/Public Sector leverage is so high is because the three local authorities are prioritising the Programme within their local housing and corporate strategies. It is inevitable with a Programme of this scale that significant virement of resources will occur within the financial year between each of the target areas within each of the local authorities. These virements could have significant distributional and social consequences, particularly as the CPO and clearance programme intensifies. The Governance evaluation reviewed the reporting to the Board. The housing markets element of the research and the project appraisal assessment looked at information available at the area development framework and project levels respectively. The Board does not currently examine the effects of virement and its impact on communities affected by HMRF intervention. An agreement will need to be reached upon the thresholds which trigger a discussion about virement with the Director/Chair and/or the Board. More detailed financial reporting will need to be developed to support this.
- 3.2.2 The scale of restructuring activity is such that the different circumstances previously in each of the target areas is frequently reflected in different approaches to consultation and delivery. More information about the different challenges and techniques used across the Pathfinder could help Board members to fully understand the Programme including the impact of and rationale for virement of resources between target areas. This could be achieved by an annual SWOT progress and challenges presentation by the delivery agents to the Board, which would focus on the area based activity.
- 3.2.3 There was a feeling, expressed to the research team that the non-public sector members of the Board needed more information and support to fully participate with Public Sector colleagues. This requirement merely reflects differences in experiences and the fact that the Programme is predominantly Public Sector led at this stage of the regeneration cycle. A review of these support needs should be conducted by the Director in conjunction with the Chair.

3.3 Programme and Policy

- 3.3.1 Ecotec, had access to a small sample of projects for the initial evaluation. However this sample did reveal a disparate set of work practiced in relation to monitoring and reviewing projects against the original objectives at appraisal stage. This disparate set of approaches is almost certainly a product of the scale of the delivery task and the need in some cases to vire resources from one programme heading to another to ensure spend. However, if approaches to monitoring are not standardised, the quality of the programme evaluation will be severely impaired.
- 3.3.2 A review of the immediate requirements of the evaluation in respect of adjacency and displacement has concluded that the vital focus of this work should be a movement within the target areas and between these areas and adjacent neighbourhoods. This recommendation combined with the earlier observation related to the relationship between inputs, outputs and outcomes suggests that a priority for the evaluation in 2006/07 is to better understand the neighbourhood dynamics associated with market renewal.