

# HMR

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# Performance

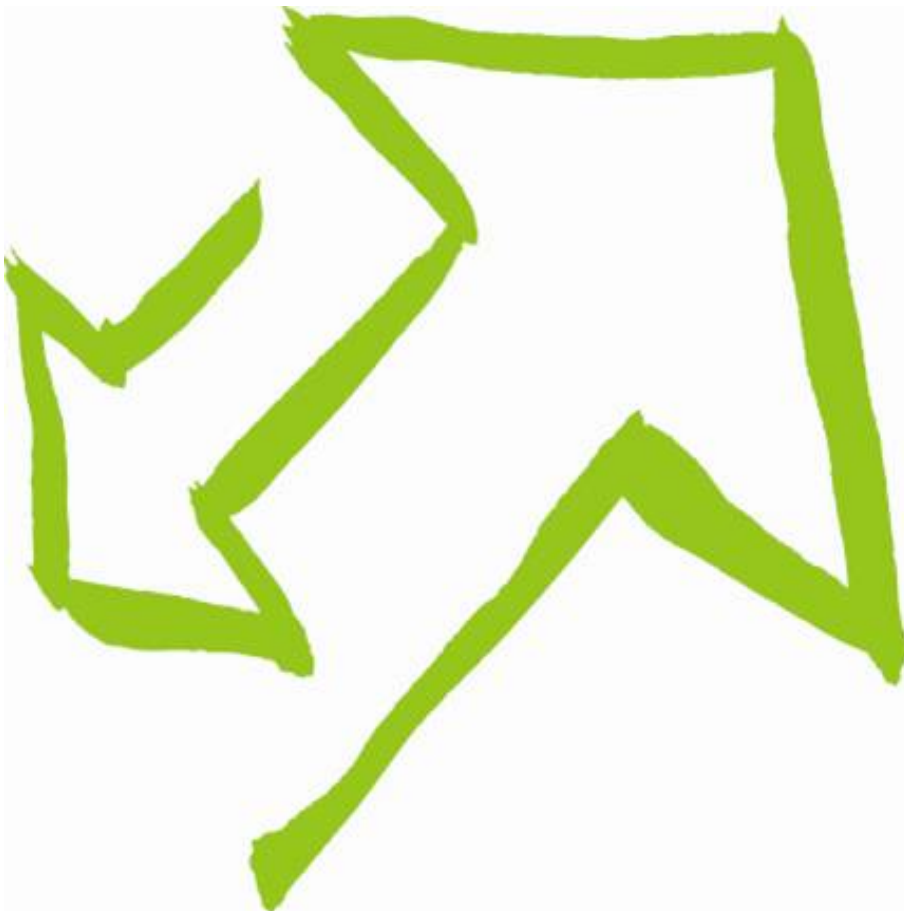
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# Review 2009

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Tees Valley Living

March 2010



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Housing market renewal

The government's housing market renewal (HMR) programme has been in place for more than six years. It is focused on tackling the problem of declining demand for housing in parts of the Midlands and North of England. Currently, ten partnerships have formal HMR pathfinder status<sup>1</sup>.

The partnerships are to ensure that all the essential requirements of sustainable communities, especially good quality, customer focused public services and a pride in the community and cohesion within it, are addressed.

The pathfinder areas cut across local authority boundaries with the expectation that partnerships involve all stakeholders in developing strategic plans for whole housing markets. Pathfinders now work closely with a range of public and private sector partners, with the constituent local authorities having a key role in the partnership.

Since the programme's inception, the Audit Commission has been assessing the performance of the pathfinders. This is now undertaken on behalf of the Homes and Communities Agency (HCA), who took on operational responsibility for the programme on 1 December 2008.

Our work supports the pathfinders' development and provides HCA and its sponsoring body, the Department of Communities and Local Government (CLG) with an independent assessment of how effectively the national HMR programme is being delivered at a local level. This has involved scrutiny of pathfinders' strategies and investment programmes as well as regular performance reviews.

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<sup>1</sup> Bridging Newcastle Gateshead (Newcastle and Gateshead); Gateway (Hull and East Riding of Yorkshire); Transform South Yorkshire (Sheffield, Barnsley, Rotherham and Doncaster); Urban Living (Birmingham and Sandwell); Renew North Staffordshire (Stoke on Trent, Newcastle under Lyme and Staffordshire Moorlands); Manchester Salford (Manchester and Salford); NewHeartlands (Liverpool, Sefton and Wirral); Oldham and Rochdale Partners in Action (Oldham and Rochdale); Elevate East Lancashire (Blackburn with Darwen, Hyndburn, Burnley, Pendle and Rossendale); Tees Valley Living (Middlesbrough, Hartlepool, Darlington, Redcar and Cleveland and Stockton-on-Tees).

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# Pathfinders performance review

The Audit Commission uses a structured framework for completing its review of HMR pathfinder performance. This allows for a series of challenging, appropriate tests and questions to be consistently applied.

This performance review takes a comprehensive look at Tees Valley Living's (TVL) performance over the last year, in developing and delivering its programme across the HMR area, using the following themes.

- Update and use of housing market intelligence.
- Place shaping.
- Affordable homes and sustainable communities.
- Community cohesion, consultation and support.
- Delivery and Impact.
- Strategic and operational alignment.
- Efficiency and effectiveness.

It also considers progress in addressing specific areas for improvement that have been identified to help the pathfinder improve its performance, and provide better outcomes for local people. These are outlined in this report, and more detail can be found in the following reports.<sup>1</sup>

- The performance review published in October 2008.
- The use of resources assessment published in January 2009.
- The HMR 2008/09 programme review published in May 2009.

This performance review is informed by our ongoing work with pathfinders and utilises the same framework and scoring methodology as previous reviews. It is therefore possible to consider the direction of travel that has made over the last year by comparing the current scores against previous ones. **In 2008 TVL was assessed as performing well overall.**

2008 was the first time the Audit Commission formally assessed TVL. We recognised then, that it had not been subject to the same scrutiny or support mechanisms as the original pathfinders so direct comparison of performance may not be appropriate. In this latest review, we found TVL continues to operate with relatively limited core team capacity. Progress against our recommendations and areas for improvement has been variable, and a number of recommendations remain outstanding. However, overall, it has not lost ground, and there remains scope for planned new governance and management arrangements to strengthen its position going forward.

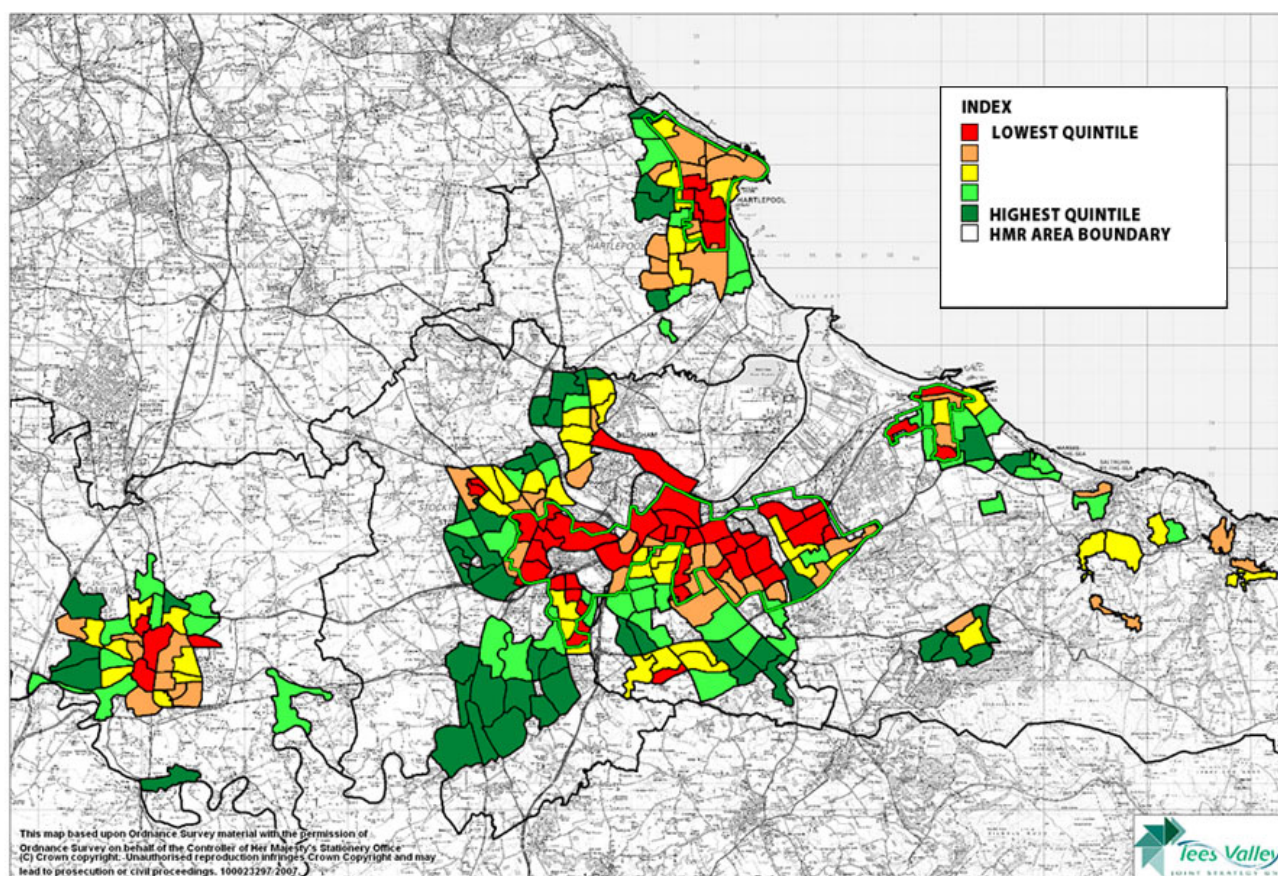
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<sup>1</sup> Documents are available on the Audit Commission WebPages at:  
<http://www.audit-commission.gov.uk/housing/marketrenewalpathfinders/pages/default.aspx>

# The local context

- 1 The Tees Valley sub-region is made up of five local authority areas in the North East of England on both side of the River Tees, and is bordered by North Yorkshire to the South, and County Durham to the North.
- 2 TVL has been established since 2003 and was granted pathfinder status in April 2008. The pathfinder is a partnership between the five constituent councils, housing associations and the private sector.
- 3 The partnership identified its own HMR boundary based on its Vitality and Viability Index (VVI).<sup>1</sup> TVL also developed its own programme and methods of working before being accepted as a pathfinder. Neighbourhoods within Central Hartlepool and the band between Central Stockton through North Middlesbrough into Redcar and Cleveland are the current focus of strategic interventions. There are four HMR funded areas of major intervention, encompassing seven programmes of acquisition and clearance. Figure 1 shows the results of the VVI and the pathfinder boundary.

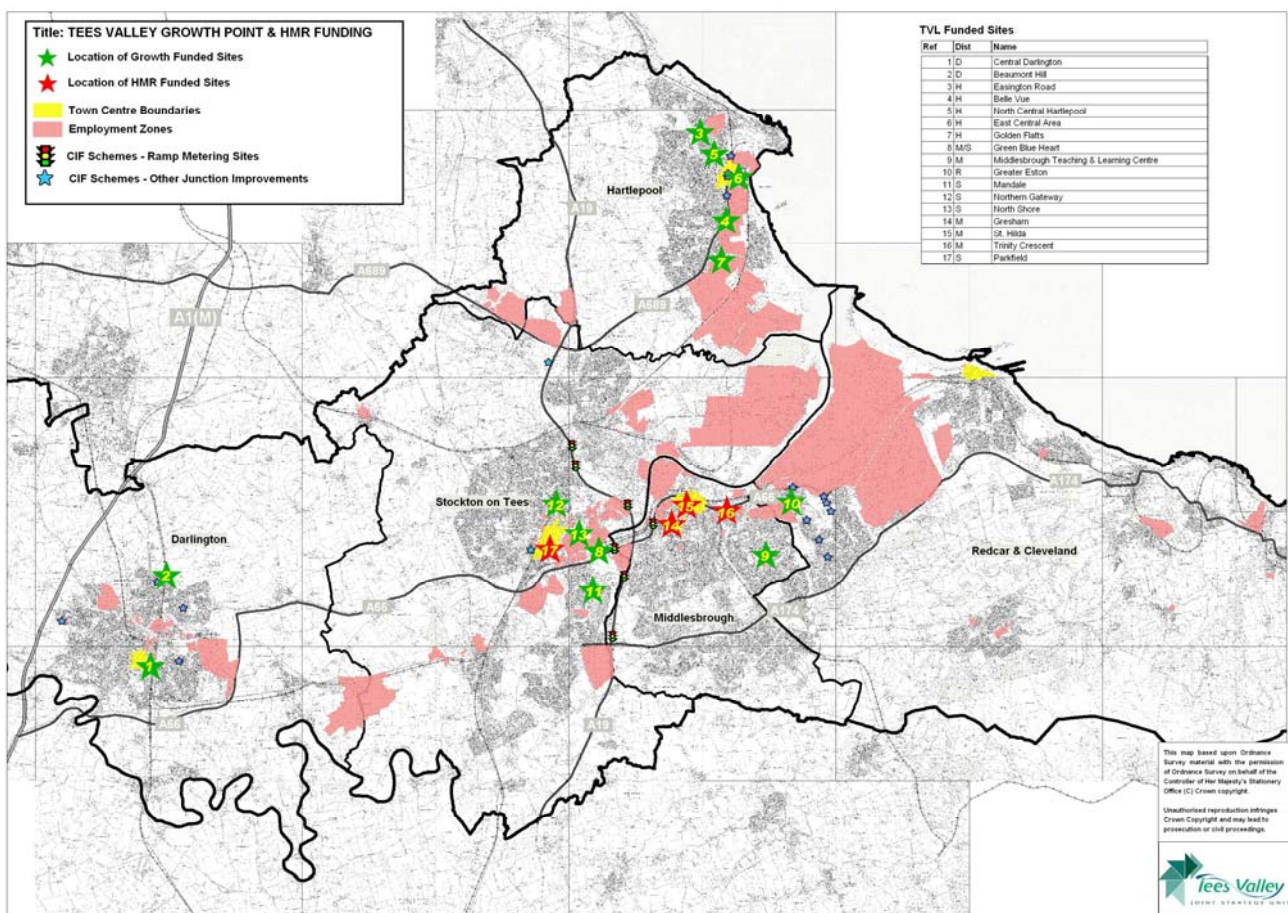
**Figure 1 Vitality and Viability Index and HMR Pathfinder Boundary**



<sup>1</sup> The VVI combined a range of agreed indicators to give a measure of the 'health' in housing terms of defined neighbourhoods across the sub-region. The hotspots identified by the VVI form the basis of the HMR area.

- 4 In addition to managing the HMR programme, TVL is also leading on coordination of the New Growth Point (NGP) initiative in the Tees Valley. The Tees Valley was allocated £6.2 million of NGP funding for 2009/11. This funding, combined with an allocation of £6.3 million of Community Infrastructure Fund (CIF) monies, is helping to prepare housing sites for redevelopment in preparation for an upturn in the market. A further £3.4 million of CIF funding has been secured for a traffic management scheme.
- 5 TVL aims to 'build sustainable communities within the central areas of the City Region.[by creating] a quality of environment and housing offer which will make them the destination of choice as a place to live for Tees Valley residents, both now and in the future'.<sup>1</sup>

Figure 2 HMR and NGP Sites



<sup>1</sup> Tees Valley Living Housing Market Renewal Business Plan 2008-11, November 2007

# Summary

- 6 Overall, TVL continues to be assessed as performing well. TVL is continuing to make progress with some of its schemes despite difficult market conditions and performance against agreed outcome targets has been good. The partnership continues to demonstrate strong strategic and operational alignment. However, key knowledge gaps and risks to programme delivery remain including: a limited understanding of the needs and aspirations of target markets; an overall lack of focus on the replacement offer; and the lack of a strategic approach to community cohesion and engagement with minority and hard to reach communities. The approach to efficiency and effectiveness remains underdeveloped and this is reflected in the score for this theme having worsened from performing adequately to not performing adequately.
- 7 TVL continues to perform adequately in its approach to housing market intelligence. Some progress has been made in respect of ongoing market intelligence, and this is already being shared and used by the pathfinder's partners. Draft proposals for an ongoing programme of research have been developed recently but funding for this is yet to be agreed. A number of key knowledge gaps remain including adjacency<sup>i</sup> and displacement<sup>ii</sup>, and further work is also required to fully understand the needs and aspirations of the identified target markets. A systematic approach to evaluation has yet to be developed.
- 8 TVL is performing adequately in its approach to place shaping. The constituent councils have developed or are developing regeneration frameworks and master plans for their intervention areas, and each of the councils now has an urban design officer in post. However, little progress has been made by the pathfinder since our last performance review. Design, heritage and environmental enhancements are not always being secured to levels likely to have sufficient impact on place shaping, and there is overall a lack of strategic focus on the replacement offer. In the future it may be possible to strengthen the approach to place shaping as part of broader Tees Valley Unlimited (TVU)<sup>iii</sup> structures.
- 9 The pathfinder continues to perform well in its approach to affordable homes and mixed communities. All of the pathfinders have seen their plans for a better balance of home ownership and social renting threatened by the recession and credit crunch. TVL has responded well to these issues, and the pathfinder and its partners recognise that they need to continue to pursue mixed tenure developments to achieve sustainable communities. Progress against previous recommendations has been made. The recently completed strategic housing market assessment (SHMA) has helped TVL to gain a better understanding of future housing tenure and types requirements, which will be reflected in a new sub-regional housing strategy. Systems now need to be developed for ensuring new build schemes deliver against the identified house type and tenure requirements.

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<sup>i</sup> Adjacency - the potential impact that new development may have on the desirability of neighbouring areas.

<sup>ii</sup> Displacement - the potential for problems to be merely moved on to neighbouring areas.

<sup>iii</sup> Tees Valley Unlimited is a partnership of public, private and voluntary bodies which coordinates activities, at the city region level, designed to improve the economic performance of Tees Valley.

- 10 TVL is performing well in its approach to community cohesion, consultation and support. Partners are generally continuing to engage well with communities, employing a range of methods to capture and respond to resident's views. The introduction of a regional loan product in 2010 will ensure a consistent approach to loans for renewal activity in Tees Valley. But TVL needs to progress outstanding recommendations. A strategic approach to community cohesion and engagement with hard to reach communities is required. The partnership also needs to undertake further work to consider appropriate temporary treatments and interim uses for cleared sites.
- 11 TVL continues to perform well in terms of delivery and impact. Performance against agreed outcome targets has been good. The Tees Valley economy and housing market has been badly affected by the recession. The pathfinder partnership is responding proactively, although the number of new homes being developed will be significantly lower than expected. Progress against 2008 performance review recommendations has generally been good including the introduction of some improvements to programme management.
- 12 The pathfinder is continuing to perform strongly in terms of strategic and operational alignment. TVL has performed an important function in lobbying for additional resources for the sub-region, including NGP funding, although questions still remain regarding the extent of emphasis on growth. Funding has also recently been secured by Tees Valley Joint Strategy Unit (JSU)<sup>i</sup> for the first phase of a local metro, which utilises the existing railway network. Improvements will shortly commence to stations across the sub-region. However, in the future TVL will need to increasingly demonstrate the achievements, in a practical sense, through strategic alignment such as that brought about through the Multi Area Agreement (MAA)<sup>ii</sup>. The broader structures and governance arrangements within which TVL operates continue to be in a state of flux. At present it is unclear how the HMR programme in Tees Valley is to be managed and made accountable to partners.
- 13 TVL is now assessed as not performing adequately in its approach to efficiency and effectiveness. Progress against our recommendations and areas for improvement has been variable. A strategic risk register has been developed, and in the future this will be reviewed on a six monthly basis. An asset register, asset management and capital receipts protocols have also been developed, although progress on this was initially slow. Improved arrangements for project appraisal are yet to be introduced. Little consideration has been given to opportunities for joint procurement, although plans are in place to establish a group to look specifically at this. The approach to generating employment and training opportunities through HMR activity requires further development. An efficiency plan is not yet in place and the pathfinder cannot be said to be taking a strategic approach to value for money. The capacity of the core team has been an issue over the last year. This has limited progress in other aspects of the TVL's role.

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<sup>i</sup> The Tees Valley Joint Strategy Unit (JSU) was set up in 1996 to undertake strategic planning in particular the Tees Valley Structure Plan; develop the sub regional economic development strategy; undertake strategic transport planning and technical support; provide an information and forecasting service; and take responsibility for the management and administration of European programmes.

<sup>ii</sup> A Multi Area Agreement is a mechanism to help deliver the agreed investment priorities across a number of local councils, by facilitating the integration of physical and financial resources and a strong and accountable governance structure within a defined performance monitoring framework.

# Scoring

**14** Pathfinder performance has been assessed as either:

- performing strongly;
- performing well;
- performing adequately; or
- not performing adequately.

**15** We have assessed TVL as performing well overall.

**16** We found TVL to be performing well because it has a range of strengths:

- an improving approach to monitoring housing market dynamics with evidence that this is being effectively shared and used by partners;
- a proactive response to the recession and a continuing shared commitment to the strategy to achieve sustainable communities;
- a generally strong approach taken by partners to engaging effectively with communities;
- delivery against agreed outputs has been good;
- a continuing strong approach to strategic and operational alignment; and
- an improving approach to management of assets and capital receipts.

**17** However there are some areas which require improvement. These include:

- a number of significant knowledge gaps and limited evaluation of the impact of interventions to date;
- a lack of strategic focus on what the replacement offer will be following clearance including design, heritage and place shaping considerations;
- no overall strategic direction to consultation, including capturing and responding to the needs of diverse communities;
- an efficiency plan has not been developed, and the approach to benchmarking and consideration of opportunities for joint procurement is weak; and
- further work is required to maximise employment and training opportunities through HMR activity.

# Recommendations

**18** A number of key recommendations arise from the above findings.

Recommendation
<p><b>R1</b> In line with our 2008 recommendations, agree and identify resources for a programme of research that addresses key knowledge gaps, including:</p> <ul style="list-style-type: none"> <li>• understanding the specific needs and aspirations of target groups and ensuring these are reflected in developing future interventions;</li> <li>• analysing adjacency and displacement effects, particularly to develop understanding of how growth can be managed alongside renewal; and</li> <li>• developing a systematic approach to evaluation.</li> </ul> <p>(to be completed within 6 months)</p>
<p><b>R2</b> In line with our 2008 recommendations, further develop the vision for the HMR area, including:</p> <ul style="list-style-type: none"> <li>• developing a clearer focus on achieving outcomes and ensuring plans for specific areas are demonstrably achievable; and</li> <li>• adopting a strategic approach to design quality, heritage and sustainability against which schemes can be assessed.</li> </ul> <p>(to be completed within 12 months)</p>
<p><b>R3</b> In line with our 2008 recommendations, enhance the approach to community engagement by giving formal consideration to adopting a community engagement strategy that sets out TVL's requirements, particularly in respect of engagement with hard to reach groups.</p> <p>(to be completed within 12 months)</p>

## Recommendations

- R4** In line with our 2008 recommendations, improve the approach to value for money, including:
- developing a strategic approach to value for money, including an efficiency plan with SMART targets for savings;
  - ensuring new project appraisal and programme management arrangements are suitable for the HMR programme;
  - proactively considering opportunities for efficiencies through joint procurement and partnering approaches, including learning from the experiences from other pathfinders; and
  - developing approaches to maximising employment and training opportunities brought about through HMR investment across the sub-region, including implementing learning from the experiences of other pathfinders.
- (to be completed within 6 months)

- R5** Within the context of current organisational change:
- reviewing management arrangements for market renewal, including assessing the capacity of the team to effectively manage the programme up to the end of the current funding period; and
  - reviewing arrangement for governance and accountability of the HMR programme to ensure continuing strategic focus and robust independent challenge of the pathfinder's decision making.
- (to be completed within 6 months)

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# Report

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## Update and use of housing market intelligence

- 19** This section examines the value of pathfinder interventions in creating sustainable housing markets, in the context of the changing drivers of housing supply and demand. By now TVL is expected to have moved well beyond the assembly and understanding of data, to focus on using data to inform the selection of actions. It is also expected to effectively monitor change in the local/sub-regional housing markets, particularly in the light of the recession, and evaluate the impact of its investment.
- 20** In our 2008 performance review we found TVL to be performing adequately in respect of its approach to housing market intelligence. The pathfinder had a strong evidence base, with a robust neighbourhood level statistical model used to determine hotspots and help inform programme decisions. However, there were a number of weaknesses and we formally recommended that TVL should: develop a structured programme of research; confirm which sectors of the population are to be attracted / retained, and research their specific needs and aspirations; ensure issues of adjacency and displacement are fully understood; and, develop a more systematic approach to monitoring and evaluation.
- 21** **TVL continues to perform adequately in its approach to updating and using housing market intelligence.** Some progress has been made since our last performance review, particularly in respect of the approach to monitoring housing market dynamics, but a number of key knowledge gaps remain.
- 22** The pathfinder has begun to produce ongoing housing market monitoring reports. The reports include a range of housing market data and information from a comprehensive housing sites database that is currently being developed. The housing market monitoring reports are already being shared and used by TVL's partners. The pathfinder is regarded as fulfilling a unique position in offering a sub-regional overview of the market and sharing this in a common forum.
- 23** The new monitoring reports are complemented by ongoing analysis of relative neighbourhood vitality using the pathfinder's VVI. This continues to confirm that the pathfinder is focussing its interventions on those areas of the sub-region where housing market weakness is most pronounced. Further work is planned in conjunction with Teesside University to refine the model and make it more useful as a tool for measuring absolute neighbourhood sustainability. This will make it more useful as a tool for measuring the impact of interventions over time.
- 24** TVL is integrating intelligence gathered from developers into its work. Each board meeting starts with a developer provided assessment of the local housing market. This has the benefit of ensuring a shared understanding of current market conditions between private developers and public sector partners.

## Report

- 25** The pathfinder has made use of complementary funding to improve its understanding of local housing markets. In the past TVL has benefited from Regional Development Agency funding for research into housing markets such as the original Tees Valley housing market assessment that informed the first sub-regional housing strategy. Council-funded local housing assessments and the recent TVL-funded SHMA will provide the basis for a new sub-regional housing strategy.
- 26** TVL is continuing to explore opportunities to augment its own understanding of housing market issues by working in partnership with others. TVL contributed to the cost of a recent study by pathfinders into the value of good design, and is planning to make a financial contribution to joint pathfinder research this financial year, although the focus of this is yet to be agreed. In addition, other research is also being planned with the Association of North East Councils, potentially focussing on the private rented sector.
- 27** However, some key knowledge gaps remain. The pathfinder has not undertaken a detailed analysis of adjacency and displacement, although it has begun to collect some information on this as part of its interim review of the programme. Neither does TVL yet fully understand the needs and aspirations of its target markets, although the recently completed sub-regional SHMA has provided some insights into future tenure requirements and the housing needs of specific groups. TVL has recently developed a draft programme of research, but sufficient funding has yet to be identified for this.
- 28** At present TVL lacks a comprehensive understanding of what is needed to make new housing attractive to its identified target markets of graduates, younger families and knowledge economy workers. The pathfinder is exploring the potential to collect information on buyers and viewers of new build properties directly from house builders. This approach could prove useful and cost effective but will take some time to implement. Therefore TVL should consider carrying out market research focussing on the occupiers of new build housing within and outside the pathfinder area. This will provide an evidence base to more effectively influence strategic decisions in respect of housing products most likely to attract target markets. It could also be used to better understand adjacency issues such as the potential impact of new private housing sites.
- 29** A systematic approach to evaluating the impact of interventions is yet to be developed although it may be possible, through further refinement, to use the pathfinder's VVI more effectively to demonstrate the impact of interventions. Some evaluation of individual projects has been carried out by partners, but this is variable and lessons are not being shared effectively across the partnership. As a result, TVL is not able to demonstrate what the impact of its interventions to date have been, or take an evidence-based approach to thinking about future interventions.

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## Place shaping

- 30** Place shaping is about tackling housing market weakness in a holistic way by ensuring the establishment of a high quality built environment which underpins and takes account of economic, environmental and social issues. The ultimate goal is improving the quality of life for people now and in the future. Promotion of high quality design and an enhanced focus on sustainable development is also expected.

- 31** In our previous performance review TVL was performing adequately in its approach to place shaping. We found that a lot of work was underway in the sub-region with many ambitious plans being developed. Master planning had been effectively carried out in some areas, but more emphasis needed to be given to the replacement housing offer, including design and heritage considerations. We formally recommended that the pathfinder should consider what activities to support beyond acquisition and clearance to maximise its contribution to delivering sustainable communities. We also recommended that TVL should adopt a strategic approach to master planning, with an enhanced focus on quality design, heritage and place shaping.
- 32 TVL continues to perform adequately in its approach to place shaping.** The pathfinder and the wider sub-regional governing body, TVU remain committed to delivering a transformational agenda and regeneration frameworks and master plans are being developed for intervention areas. However progress against our recommendations has been poor. The vision for the HMR area as a whole needs to be more clearly articulated, and a more strategic focus is needed on the replacement housing offer including design, heritage and environmental enhancements.
- 33** TVL is continuing to distribute HMR funding to seven ongoing market renewal projects in the sub-region to fund acquisitions, demolitions and to assist with the relocation of residents. The pathfinder and its local authority partners want to ensure that the acquisition and demolition programme progresses as quickly as possible, to create sites for redevelopment. As such it is not regarded as being desirable to re-direct HMR funding into other types of intervention. Reductions to the amount of Single Housing Investment Pot (SHIP)<sup>1</sup> funding available to the pathfinder in 2010/11 will mean that less funding will be available for market renewal activities through this funding stream in the coming year.
- 34** The constituent local authority partners have developed or are developing regeneration frameworks and master plans for their intervention areas, and each of the councils now has an urban design officer in post. In Middlesbrough the council produces guidance in the form of development briefs, master plans and informal design guidance for key development proposals. Proposals are also in place to establish a Middlesbrough design review panel to champion high quality design within the borough. In Stockton the council is close to finalising an urban design strategy to establish overarching design principles.
- 35** However, a strategic approach to improving the quality of design across the TVL area is yet to be developed and the overarching vision for the HMR area as a whole is underdeveloped. A strategic approach to place shaping has yet to be developed, and as a result there is an inconsistent focus on design, sustainability and heritage considerations.

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<sup>1</sup> The Single Housing Investment Pot (SHIP) provides capital funding for local authorities and registered social landlords, for activity that helps to achieve the objectives of the North East England Housing Strategy.

- 36** Intervention in some areas lacks an appropriate focus on achieving clear outcomes, and in some places clearance is continuing without a clear idea of what the replacement housing offer will be. For example in the Carr and Hopps Street area of Hartlepool limited funding is leading to a pepper-potted approach whereby owner occupied properties are being acquired but privately rented homes are not at this stage. This approach was taken with the support of residents. However, this sort of approach has the potential to undermine neighbourhood sustainability and leave private rented sector tenants living in a poor quality environment indefinitely. The council is currently working with partners to explore options for progressing intervention in the area more quickly, including through making use of council assets. In the interim, intensive neighbourhood management seeks to ensure vulnerable residents are identified and receive appropriate support.
- 37** A new sub-regional housing strategy to be completed by January 2010 will aim to address some place shaping considerations such as type and tenure and design quality standards. This is a positive step, but it is not yet clear how this will be implemented or assessed across the pathfinder's schemes. The new housing strategy will also provide an opportunity to refresh the vision for market renewal in the sub region, as well as defining clearer pathfinder-wide target outcomes. This will also need to be reflected in the business case for investment currently being produced by TVU.
- 38** A green infrastructure strategy was developed by the Tees Valley JSU in 2008. This sets out a vision for green infrastructure in the Tees Valley, and proposes a network of green corridors that link existing resources with strategic priorities such as major redevelopment schemes, HMR areas, and other areas of new housing and business development. However, an implementation plan for the strategy is yet to be developed.
- 39** TVL is planning to engage with the newly established Commission for Architecture and the Built Environment (CABE) design review panel for the North East. The pathfinder will be asking CABE to examine the area, understand local design issues and raise the profile of high quality design with local authority partners. TVL is considering the option of ensuring all plans for HMR and NGP sites are referred to CABE as a matter of course in the future. This option should be pursued and prioritised as a means of championing high quality design across the sub-region in the absence of a pathfinder-wide approach.
- 40** In the future it may be possible to strengthen the strategic approach to place shaping as part of broader TVU structures. Further guidance on design quality, type and tenure mix may be introduced as the new structures for TVU become clearer, and a specialist on urban design may be appointed. But at this stage it is not clear precisely what the structures will look like or what the impact on place shaping might be.

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### Affordable homes and mixed communities

- 41** Pathfinders must ensure that interventions cater for the broad range of requirements found in each community, encouraging existing residents to stay while seeking to attract a wider mix of residents to support the development of mixed communities. It is particularly important given the challenging socio economic characteristics of many pathfinder neighbourhoods, and the need to create conditions which promote long term sustainability.

- 42 In our 2008 performance review we found that TVL was performing well in terms of its approach to affordable homes and mixed communities. All partners were assisting people to achieve and sustain owner occupation via a range of refurbishment and relocation assistance packages and low cost home ownership initiatives. However, challenging issues around managing the private rented sector were identified as requiring more joined up working. We recommended that TVL should determine the overall balance and mix of house types and tenures required, including appropriate levels of affordable housing, and ensure that all schemes evidence delivery against identified aims.
- 43 **TVL is continuing to perform well in its approach to affordable homes and mixed communities.** Pathfinders have generally seen their plans for a better balance of home ownership and social renting threatened by the recession and credit crunch. TVL has responded well to these issues. Progress against our recommendation from 2008 has been reasonable.
- 44 The SHMA completed in 2008 has helped TVL to develop a better understanding of future housing tenure and type requirements. These will be reflected in the replacement sub-regional housing strategy now in course of preparation, and the various elements of the development plan process at both regional and local level. The pathfinder will then need to develop systems for ensuring its housing schemes deliver against identified housing type and tenure requirements.
- 45 TVL and its partners recognise that they need to continue to pursue mixed tenure developments to achieve sustainable communities. TVL has influenced the approach being taken by its housing association partners, demonstrating strong partnership working and a joint commitment to the overall strategy.
- 46 A sub-regional agent for Tees Valley and County Durham, called Time2Buy, has been established to deliver HomeBuy<sup>1</sup> products over the period 2009/11. The local agent has the potential benefit of offering a more targeted service, reflective of local circumstances. In addition to the standard HomeBuy products, a local equity loan has now been introduced with support from a number of major lenders. These lenders do not generally require a deposit in addition to the equity loan itself, thus making the loan accessible to more people, although this may change in the future. Time2Buy has stretching targets for 2009/10. The agent has begun a local advertising campaign to raise local awareness of the available products but to date only 20 loans have been completed. Delivery will need to be accelerated if targets are to be met.
- 47 TVL and its partners have begun work to develop a flexible approach to housing tenure through a local rent-to-buy model. The intention is to charge a rent sufficient to cover the borrowing incurred by the housing association as well as contribute to a savings account for the household. This approach will enable the accumulation of sufficient funds for the household to purchase a stake in the property at the appropriate time. Further work is required to fully develop the flexible tenure model, including the possibility of linking it to HomeBuy options. At present the proposed approach remains largely untested. Nevertheless, this sort of approach does have the potential to enable new housing development to continue without compromising aims for mixed tenure development in the medium-to-long term.

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<sup>1</sup> HomeBuy is a government scheme that enables social tenants, key workers and first time buyers to buy a share of a home and get a first step on the housing ladder.

### Community cohesion, consultation and support

- 48** Pathfinders must ensure that plans and interventions are developed in consultation with local communities, that they are effectively supported through change and work is actively managed to improve community cohesion, promoting trust, building community identity and developing relationships between citizens within a locality.
- 49** In our previous performance review we found that TVL was performing well in its approach to this theme. Council and housing association partners proactively engaged communities and residents who were being effectively supported through change. We recommended that TVL should: strengthen mechanisms to capture and respond to specific needs of minority, vulnerable and hard to reach groups; consider how interventions could more effectively contribute towards promoting community cohesion; help facilitate a more consistent approach to loan products across the sub region; and, consider adopting a formal consultation and engagement strategy.
- 50** **The pathfinder is continuing to perform well in its approach to community cohesion, consultation and support.** Council and housing association partners are generally continuing to engage well with communities. The introduction of a regional loan product in 2010 will ensure a consistent approach to loans for renewal activity in Tees Valley. But TVL needs to progress outstanding recommendations. A strategic approach to engagement is required, that takes into account hard to reach groups. More work also needs to be done by the partnership to consider interim uses and temporary treatments for stalled sites.
- 51** Council and housing association partners are continuing to proactively engage with communities in areas undergoing change. Dedicated staff teams, including enforcement support officers, support residents in neighbourhoods affected by interventions. For example, Hartlepool Borough council takes a range of approaches to engaging with communities including resident-led panels, street ballots, wider meetings and individual discussions. Middlesbrough Borough Council has community sounding boards and a residents' charter in place. These approaches are helping to ensure that communities are effectively engaged in the regeneration process.
- 52** Consultation on pathfinder related programmes is leading to changes to projects being considered to reflect local views. Additional refurbishment and boundary changes are being considered for the Gresham area of Middlesbrough following representations by a local community group. By listening and working to accommodate local views, the pathfinder programme will be able to generate higher levels of support for its work, making future interventions easier to develop and deliver.
- 53** Equality impact assessments (EIA's)<sup>1</sup> are generally being undertaken by TVL's local authority partners, helping to ensure that the programme does not disadvantage minority groups. For example, Middlesbrough Borough Council has undertaken an EIA of its housing capital programme to ensure that disabled people and members of BME communities in the pathfinder areas are not negatively affected.

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<sup>1</sup> An equality impact assessment is a tool for identifying the potential impact of a council's policies, services and functions on its residents and staff. It can help staff provide and deliver better services to residents by making sure that they reflect the needs of the community.

- 54 Specific requirements to capture and respond to the needs of minority communities have not been introduced by TVL, and it is not clear that the views of harder to reach groups are always heard. The Tees Valley has a relatively small BME population, but some of the pathfinder's intervention areas are popular locations for BME communities. Moreover, it is not clear that the concept of community cohesion is fully understood by all partners, or that potential cohesion issues arising from the programme are always adequately considered. TVL does not communicate directly with the local public, but it is important for it to develop a strategic approach to these issues.
- 55 Due to current market conditions a number of HMR sites have stalled. Some households who have recently moved into new homes are now living next to poorly maintained scrubland and the foundations of incomplete homes. Leaving incomplete sites poorly maintained will undermine neighbourhood sustainability. More work needs to be done by the partnership to consider interim uses or more attractive temporary treatments for these sites until the timescales for redevelopment become clearer.
- 56 All constituent councils are signed up to a new loan schemes being developed as part of the North East private sector housing renewal financial assistance policy. There is currently considerable local variation in relation to loans packages available but the situation across the sub-region will become standardised as the regional scheme is introduced, which is anticipated to be during 2010. This will be a significant improvement to the current situation where residents of neighbouring areas receive differing packages of support.

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## Delivery and Impact

- 57 Pathfinders need to maintain a clear focus on outputs and outcomes, and ensure the processes required to support effective delivery are in place, including effective programme management and appropriate governance arrangements. The impact of its interventions and the progress against baseline aims and objectives should also be explored.
- 58 In 2008 TVL was performing well in terms of delivery and impact. While at a different stage of development to the original nine pathfinders and against a very narrowly defined remit in terms of operational activity, TVL had maintained a clear focus on agreed outputs. We specifically recommended that TVL should maintain effective strategic leadership of TVL; ensure sufficient capacity is in place to meet changing roles and responsibilities; and, ensure effective independent challenge. We also recommended that the pathfinder should formally assess the impact of changing market conditions on strategy and operations.
- 59 **TVL is again assessed as performing well for this theme.** Progress against our recommendations from 2008 has generally been good. The Tees Valley economy and housing market has been badly affected by the recession. TVL is responding proactively but the number of new homes being developed will nevertheless be significantly lower than expected.

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- 60** TVL began to devise a strategic response to the recession as early as July 2008 through the establishment of a credit crunch task force. The resultant housing recovery programme, a comprehensive package of proposals to maintain programme momentum and ease liquidity problems on the supply and demand sides of the market, had identified a range of possible measures and initiatives as early as January 2009.
- 61** The pathfinder received an allocation of £14.2 million in 2008/09, compared to £12.9 million the previous year. The pathfinder used this funding exclusively for acquisitions, demolitions and relocation packages - with the large majority spent on acquisitions.
- 62** The amount of other public sector finance directly levered into HMR projects and activities during 2008/09 was £12.6 million. It can be said that for every £1 of HMR funding 89 pence of other public sector funding was spent on HMR projects during 2008/09. This compares to an equivalent figure of £1.24 during 2007/08. The amount of investment levered into the programme from the councils' capital investment funds reduced from £9.7 million to £5.1 million between 2007/08 and 2008/09.
- 63** The amount of private sector finance directly levered into HMR projects and activities during 2008/09 was £7.9 million. It can be said that for every £1 of HMR funding 56 pence of private sector funding was spent on HMR projects during 2008/09. This compares to an equivalent figure of 47 pence during 2007/08.
- 64** TVL does not have explicit targets for the number of new homes to be constructed. The number of homes built on land made available through HMR in 2008/09 was 85, significantly lower than the 157 achieved in 2007/08. Overall, 174 new homes were completed in the pathfinder area compared to 267 in 2007/08. Projections are for a total of 46 new homes to be constructed on HMR assisted schemes in 2009/10, as compared to a pre-recession target of 108.
- 65** The pathfinder had a target to acquire 200 properties using HMR funding during 2008/09. It exceeded this target by acquiring 217 properties. However, this was slightly lower than the 239 properties acquired during 2007/08. A further 82 properties were acquired using other funding in 2008/09, but this was significantly lower than the 175 acquired during 2007/08.
- 66** TVL had a target to demolish 63 homes using HMR funding in 2008/09, and successfully achieved this target. However, this was significantly lower than the 139 demolished during 2007/08. A further 129 properties in the HMR area were demolished using other funding in 2008/09, but this was again significantly lower than the 291 demolished during the previous year.
- 67** TVL did not have a target for the number of homes to be refurbished during 2008/09 as it does not use HMR funding for this activity. Nevertheless, a total of 511 homes were refurbished using other sources of funding. This compares to a total of 622 during 2007/08.
- 68** Improved information and systems are being developed by TVL to develop a better understanding of the housing planning pipeline. Ongoing work is being undertaken to model the impact of a range of future economic scenarios on delivery of housing sites. This will help TVL to begin to make better informed investment decisions in the future.

- 69 Some elements of the programme, such as clearance and redevelopment of inner Middlesbrough, require high levels of continued investment if aims for transformation of the sub-regional housing market are to be met. There is clear recognition that the need for market restructuring is most acute in Middlesbrough and the eastern half of the sub region and this has been reflected to an extent in past allocations of HMR resources to local authority partners. Further evidence on the need for investment will be collected as part of a planned interim review of HMR programme and interim appraisal process.
- 70 Following the interim review of the programme, and looking beyond 2010/11, the pathfinder will need to demonstrate a more focussed approach investing in areas of most significant market weakness. Overall, there is a need to more effectively communicate what the key sub-regional regeneration priorities are, clarify the extent of emphasis on growth and more clearly demonstrate how this is linked to prospects for future economic growth.
- 71 The broader structures and governance arrangements within which TVL operates continue to be in a state of flux. TVL currently works closely with colleagues from the JSU, while its governance arrangements are located within the overarching TVU constituted partnership. Further changes were planned predicated upon securing statutory city region status, but Tees Valley was not successful in its bid for this status. As a result it is now unclear how the future HMR programme in Tees Valley is to be managed and made accountable to partners. Consultants have recently been commissioned to consider the integration of the JSU, Visit Tees Valley and TVL within TVU.

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### Strategic and operational alignment

- 72 Pathfinders must operate within the context of regional and sub-regional economic, housing and planning strategies. It should seek to align with and influence other key policies, programmes and partnerships to secure close collaboration and deliver holistic regeneration in agreed priority neighbourhoods.
- 73 In our 2008 performance review we found that TVL was performing strongly in respect of strategic and operational alignment. Longstanding strategic partnership arrangements and strong collaborative working among key partners had culminated in an MAA being signed, underpinning interconnected aims for growth and regeneration. However, some question remained regarding the extent of emphasis on growth and which target groups were to be retained and attracted into the area.
- 74 **The pathfinder is continuing to perform strongly in terms of strategic and operational alignment.** TVL has performed an important function in lobbying for additional resources for the sub-region, including NGP funding, although questions still remain regarding the extent of emphasis on growth.
- 75 TVL and its partners are continuing to successfully align complementary investment with HMR funded initiatives, although the amount of other public sector funding directly levered into HMR projects reduced between 2007/08 and 2008/09.

## Report

- 76** TVL is leading on coordination of the NGP initiative in the Tees Valley. Most initial phases of growth are focussed on existing HMR intervention areas. The Tees Valley was allocated £6.2 million of NGP funding for 2009/10. This funding, combined with an allocation of £6.3 million of Community Infrastructure funding, is helping to de-risk sites in preparation for an upturn in the market.
- 77** The pathfinder has good relationships with private developers and housing associations. TVL's work to understand the local housing market is valued and the pathfinder is seen as fulfilling a unique position in offering a sub-regional overview of the market. At least one developer uses this intelligence in its investment and board reports. Developers see TVL as adding value to the local housing industry in the way that it has brought together developers and the public sector to understand each others opportunities and constraints. This has helped support continued housing development in the area during the market downturn.
- 78** A number of the constituent local authorities are involved in direct discussions with HCA regarding specific schemes that will deliver housing market renewal objectives. For example, Hartlepool Borough Council is developing a joint venture company to bring together public and private finance to take forward the Belle Vue development. Middlesbrough Borough Council is working to explore options to develop an Asset Based Vehicle to draw in investment in the Gresham area of the town, underwritten by the value of the Hemlington Grange site on the outskirts of the town. HCA is also directly engaged with Redcar and Cleveland Borough Council about proposals for the Greater Eston area. Engagement by the pathfinder with HCA has been more limited to date.
- 79** TVL is aware of the importance of improving access to the intervention areas to support plans for new housing in these areas. It has supported the plans developed by the Tees Valley JSU to provide a metro between pathfinder neighbourhoods and employment zones. Funding has recently been secured for the first phase of the metro, which utilises the existing railway network. Improvements will shortly commence to stations across the sub-region as part of the first phase of this work. In the future the partnership will need to increasingly demonstrate the achievements, in a practical sense, achieved through strategic alignment such as that brought about through the MAA.

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### Efficiency and effectiveness

- 80** To underpin successful delivery, pathfinders need to achieve and demonstrate value for money at both strategic and operational levels. This includes its overall approach to efficiency and effectiveness as well as its ability to attract and secure other investment, especially from the private sector, and the impact of this investment in the short and longer term.

- 81** In 2008 we judged that TVL was performing adequately in terms of efficiency and effectiveness. As part of a broader funding package in Tees Valley, HMR funding had helped to attract private sector investment to enable and accelerate the remodelling of localities. However, a number of areas requiring improvement were identified, and we formally recommended that TVL should: develop and implement detailed strategies and protocols relating to risk and asset management, capital receipts and procurement; formally capture and disseminate shared learning and good practice; ensure robust use of project appraisal and programme management mechanisms; and, fully capture information on complementary projects including levels of private sector funding.
- 82** In our 2008 Use of Resources assessment we again assessed TVL as performing adequately. We identified a number of areas requiring improvement, including the need for an enhanced approach to project appraisal, improved protocols for use of capital receipts and consistent mechanisms for reporting and managing risk. We recommended that a wide-ranging efficiency plan with targets for savings should be put in place, and that partners should more proactively consider opportunities for joint procurement and partnering arrangements. We also recommended that TVL should review and if necessary bolster the capacity of the pathfinder core team.
- 83 TVL is now assessed as not performing adequately in its approach to efficiency and effectiveness.** Progress against our recommendations and areas for improvement has been variable. A strategic approach to value for money is yet to be adopted and opportunities for joint procurement and partnering approaches have not been fully explored. The current approach to generating employment and training opportunities through HMR activity could be strengthened. An asset register, asset management and capital receipts protocols have been developed that will ensure assets and receipts are used in accordance with the objectives of HMR. The capacity of the TVL core team has been stretched over the past 12 months meaning that the team has had little time to devote to other issues.
- 84** An efficiency plan is not yet in place. The pathfinder has engaged with Bridging NewcastleGateshead pathfinder to learn from the strategic approach to value for money that it is developing. But TVL has not yet begun to develop an equivalent strategy of its own.
- 85** The partnership as a whole has devoted little time to considering opportunities for joint procurement of the range of services associated with the HMR programme. For example, insufficient work has been done to ensure that procurement policy for demolition works is securing the best value for money. Middlesbrough council has opted for competitive tendering of small scale demolitions. This is believed to save money in the long term management of empty homes but it is unclear how this saving has been quantified. It is similarly unclear how demolition costs across the pathfinder have been internally and externally benchmarked. The pathfinder may not therefore necessarily be securing the best value for its demolition work. The pathfinder has very recently resolved to re-establish a cross-partner joint procurement group including representatives from TVL, the councils and housing association partners to consider opportunities for joint procurement.

- 86** Enhanced arrangements for project appraisal are yet to be developed. The pathfinder has not had a need to appraise any new projects during the current funding period due to the fact that no new intervention areas have been opened up. Because TVL's functions are likely to be assimilated within TVU, it is now proposed that the pathfinder will adopt the project appraisal and performance management systems to be developed for the purposes of the new body. Proposals are for a standard approach to be taken to appraisal and programme management across different programmes, with potential efficiency benefits. TVL will need to ensure that any new arrangements are suitable for appraising HMR projects.
- 87** The current approach to generating employment and training opportunities through HMR activity is underdeveloped. The councils have made some provision in development agreements with house builders for local labour to be employed in new housing developments and this has led to the employment of local people and the setting up of apprenticeships for young people, and TVL has begun to collect output information on this. However, the constituent councils are keen to use housing market renewal to increase training and jobs available. Therefore, the pathfinder and its partners should prioritise maximising training and employment benefits as a matter of urgency. In the future key performance indicators for training and employment outputs should be set and regularly monitored by the pathfinder team.
- 88** A strategic risk register has been developed and in the future this will be reviewed on a six monthly basis. However, it is not clear that the register is detailed enough to be useful as a tool for managing risk across the programme.
- 89** An asset register, asset management and capital receipts protocols have been developed, although progress on this was initially slow. The new policies have recently been formally agreed by TVL's local authority partners and are beginning to be put into practice. In the future the new policies will ensure that assets and receipts from land or property acquired using HMR funding is used in accordance with the objectives of HMR as set out by CLG.
- 90** The capacity of the pathfinder core team, consisting of just three people, has been stretched over the past 12 months. The dual responsibilities of managing the HMR and NGP programmes, together with responding to the impact of the recession, has meant the team has had little time to devote to other issues. TVL is now hopeful of securing an additional member of staff to manage the NGP programme, but this is not progressing quickly meaning that NGP work is being absorbed by the existing team. Moreover, the three posts that make up the core team itself are not secure beyond March 2010, despite the fact that HMR funding is committed up to March 2011.
- 91** The pathfinder has facilitated and funded the commissioning of joint research which has helped to strengthen partners' understanding of sub-regional housing market issues. TVL has also coordinated the collation of good practice examples from across the sub-region through a skills directory which was updated in July 2009. However, it is not clear that the opportunity for TVL to act as a conduit for formally capturing and disseminating shared learning and good practice is yet being maximised.

# Appendix 1 - Summary of review activity undertaken

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## Summary of review activity

- a literature review of strategies and plans; research and performance reports; and board reports;
- interviews with key stakeholders including TVL staff; representatives from the constituent local authorities; private sector developers; housing association partners; and HCA representative; and
- visits to some key intervention areas.

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