

HMR

Performance

Review 2009

Urban 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:

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 - 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 status¹.

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.

¹ 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).

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 Urban Living's 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.¹

- The performance review published in December 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 Urban Living was assessed as performing well overall.

¹ 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 Urban Living pathfinder was established in 2003. It covers parts of two West Midlands local authority areas: Birmingham City Council (BCC) and Sandwell Metropolitan Borough Council (SMBC). The HMR area runs west in a band from Birmingham City Centre to West Bromwich in Sandwell. It includes Aston, Lozells, Handsworth, Soho, Birchfield, Smethwick and Greet's Green. It covers an area of 3,255 hectares and includes 60,000 homes. Urban Living's boundary includes two New Deal for Communities^I Programmes at Greet's Green and Aston and RegenCo, the Sandwell Urban Regeneration Company^{II}. These three regeneration programmes will end in March 2011. Figure 1 shows the boundary of the pathfinder area.
- 2 Both Sandwell and Birmingham have Growth Point^{III} Status. The Growth Point programme for Birmingham incorporates Solihull. However, it includes recognition of the need for delivery within the Birmingham part of the pathfinder area of both refurbished older housing and new homes.
- 3 The pathfinder's population in 2001 was 152,000. Of the ten pathfinder areas across the country, Urban Living has the highest concentration of residents from the Black and Minority Ethnic (BME) community, who make up 70 per cent of the area's population. The Urban Living Household Survey for 2008 predicts that the BME community will grow by 11.5 per cent to 2021. The population mix of the area has widened further as it continues the tradition of being a reception area for international migrants. Recent arrivals have been asylum seekers and refugees and people from the European Union Accession 8 countries^{IV}.
- 4 The recession has had a bigger impact on the West Midlands than other parts of the country, compounding high levels of disadvantage in the Urban Living area. It has six lower super output areas (LSOA)^V within the 1 per cent most deprived areas in the country when measured against the Index of Multiple Deprivation^{VI}. A further 56 of the pathfinder's 142 LSOAs are among the country's 5 per cent most deprived communities.

^I The New Deal for Communities programme for regeneration in the thirty nine most deprived areas across the country was launched in 1998. It focuses on community and neighbourhood based regeneration initiatives.

^{II} Urban Regeneration Companies bring together public and private partners to stimulate new investment into areas of economic decline and to co-ordinate plans for regeneration and redevelopment.

^{III} The growth point programme is designed to provide support to local partnerships to pursue large scale and sustainable growth. It is built on four principles: early delivery of housing as part of the growth plans; supporting local partners to achieve sustainable growth; working with local partners to ensure that infrastructure and service provision keep pace with growth; and, ensuring effective delivery.

^{IV} The European Union Accession 8 (A8) countries are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. People from these countries, which joined the European Union in 2004, have the right to live and work in Britain.

^V Lower Super Output Areas are units of geography used in the UK for statistical analysis, each with a mean population of 1,500. They are made up of groups of the smaller Output Areas which are used to record census data.

^{VI} The Index of Multiple Deprivation measures deprivation across income, employment, health and disability, education skills and training, barriers to housing and services, living environment deprivation, and crime within each Lower Super Output Areas.

- 5 Compared with other pathfinders, the symptoms of a failing market of oversupply, falling house prices and a weak regional economy have not been as obvious in the Urban Living area. However, the housing market is unable to meet the needs of the local population which is growing but remains made up of low income households. Urban Living's research has identified that an additional 8,300 households will need to be housed in the pathfinder area by 2021, with much of that demand being for larger family homes.
- 6 The housing market in the pathfinder area remains challenging. House prices have fallen over the past year but are now stabilising. The number of transactions is down by a third. Affordability¹ has improved but access to the market remains difficult for many low income households. Average house prices were 4.5 times average incomes in 2008.
- 7 Urban Living has between 2003 and 2008, received £94.6 million of HMR grant from the government. A further £53 million was awarded in March 2008 for the period 2008 until 2011. Of this, £25 million was available in 2008/9, £17 million for 2009/10 and £11 million for 2010/11. Urban Living secured HCA agreement to carry forward £2.5 million of non-spent funding from 2008/9 to 2009/10.
- 8 Urban Living has three principal goals: to support mixed-income, mixed tenure housing growth to meet local demand; to secure neighbourhood renewal and regeneration to improve the area's image and quality of life; and to encourage community cohesion to reflect local diversity.

Figure 1 Urban Living HMR Pathfinder Boundary



¹ Affordability of housing relates the cost of buying or renting a home to local incomes. There a number of different ways of doing this but all work on the basis that the cost of providing accommodation should not take up an excessive amount of typical local household's income or make it impossible for them to secure mortgage finance within prudent lending criteria.

Summary

- 9 Overall Urban Living is continuing to perform well. It has improved the way it updates and uses housing market intelligence. Its approach to community cohesion, consultation and support has also improved further. It is working well with a wide variety of different organisations to improve how local people can become involved in the development of the area. Jobs and training opportunities are integrated into its activities and its focus on community cohesion is strong. This is reflected in increased scores for two areas. The pathfinder has generally met revised outcomes agreed with HCA, although there was an under spend in 2008/09. It remains unclear how effectively the nature and extent of complementary investment is recorded and how this is influenced by pathfinder investment. Urban Living is taking a pragmatic approach to supporting interventions that could be funded by other partners interventions when this is the most practicable option to secure its objectives. However, it should continue to guard against the risk of its funding being considered as substitution¹ for resources from other agencies.
- 10 Urban Living has improved the way it updates and uses housing market intelligence and is now performing well. Intelligence is being shared with partners and stakeholders who have been able to inform the research programme. The pathfinder is making practical use of its knowledge and an effective evaluation process to focus its interventions where they are most needed and increase the impact they will have on local people. Urban Living's understanding of the housing needs of different ethnic groups is improving. It is not clear how thorough Urban Living's understanding is of the preferences and aspirations of the social housing market.
- 11 Urban Living continues to perform well in its approach to place shaping. The pathfinder has used its design capacity and capability to influence the way its partners take forward development. Environmental sustainability is being supported. Completed masterplans have prompted investment in priority areas. Masterplanning for priority neighbourhoods is scheduled for completion by autumn 2010 although not every neighbourhood will have its own bespoke masterplan. A new approach to community resourced neighbourhood planning is being piloted for non priority neighbourhoods as an alternative to formal master planning. The lack of SMART¹¹ implementation plans and insufficient funding may hinder the delivery of some elements of the masterplans. There is some inconsistency in the way masterplans have been included in local statutory planning frameworks.

¹ Substitution occurs when an organisation uses its own funds or resources to undertake work which could be seen as the responsibility of another agency.

¹¹ SMART is a system of managing organisational objective setting. Each objective or target should be: Specific; Measurable; Achievable; Realistic and Timebound.

- 12 The pathfinder continues to perform adequately in the development of affordable homes and mixed communities. Working with its partners, it has started to address the need to ensure an adequate supply of affordable housing. Underwriting risk has helped maintain some continued development of new homes. It has in place an affordable housing policy that attempts to balance the provision of new owner occupied housing with the need to reflect the current difficult market conditions. But it is early days and the pathfinder remains behind in its objective to increase the proportion of owner occupied homes in the area. Understanding of the intermediate housing market¹ is also under developed.
- 13 Urban Living with its partners is now performing strongly in its approach to community cohesion, consultation and support. It is working well with a wide variety of different organisations to improve the way it works with local people. The board and the staff are now more representative of the pathfinder area's population. Urban Living has increased the investment it is making in promoting community cohesion and engagement. Local people are actively engaged in planning and developing interventions for their neighbourhoods. An engagement strategy is now in place although it would benefit from a more rigorous approach to evaluating outcomes.
- 14 The pathfinder is continuing to perform well on delivery and impact. Although overall activity in the pathfinder area has slowed, outputs agreed with the HCA have generally been met. There was an under spend in 2008/09 but new working practices have been put into place to reduce the likelihood of this happening in the future. The pathfinder continues to seek to improve the way it manages its activities. Work has been completed to improve Urban Living's understanding of the impact of its work on local communities. There have been improvements in a number of areas and themes. Many people are however still expressing concern about the quality of life in the area, including for example crime and anti-social behaviour, but work is being taken forward to respond to a number of these concerns.
- 15 Urban Living is continuing to perform well in its strategic and operational alignment. Strategic alignment between the pathfinder and other agencies working in the area is leading to more effective investment in practical joint projects. The pathfinder has adopted a revised Business Plan for 2009-11 which focuses attention on a smaller number of interventions. It has promoted and supported employment and training but with mixed results for pathfinder communities. The pathfinder needs to progress plans to ensure that its achievements, initiatives and projects are safeguarded for the future.

¹ Intermediate housing includes housing for rent where rent levels are above social housing rents but below market rent levels and housing for sale at below market price and including shared equity and shared ownership homes.

Summary

- 16 Urban Living has again been assessed as performing adequately in its approach to efficiency and effectiveness. It has reduced its use of interim staff and consultants. It has taken steps to better understand the extent of complementary investment in the area. Some savings have been made in projects the pathfinder has delivered by adopting different approaches to procurement. A value for money strategy is now in place which shows that interventions reflect the pathfinder's priorities. However, the value for money strategy is not consistently specific or outcome focussed. Urban Living is taking a pragmatic approach to making interventions that could be funded by other partners when this is the most practicable option to secure its objectives. It should continue to guard against the risk of its funding being considered as substitution for resources from other agencies.

Scoring

17 Pathfinder performance has been assessed as either:

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

18 We have assessed Urban Living as performing well overall.

19 We found Urban Living to be performing well because it has a range of strengths.

- A well informed understanding of the private sector housing market which is being shared and used by partners.
- Practical support is being given to help local communities to contribute to the green agenda.
- Progress has been made on developing some new housing options for people, including the Cygnet development for low income owner occupiers and new council housing for families.
- It has a strong, effective and well resourced approach to developing and improving community cohesion and engagement.
- Employment and training opportunities have been well supported.
- Strategic alignment between the pathfinder and other agencies working in the area is securing positive results.

20 However there are some areas which require improvement.

- Urban Living needs to make sure that SMART masterplans are in place for all the priority neighbourhoods and that effective neighbourhood planning is supported for non priority neighbourhoods.
- The development and marketing of intermediate housing products needs to be improved to reflect local needs and aspirations.
- The pathfinder needs to continue to develop its approach to assessing and understanding the nature and extent of complementary investment.
- The pathfinder should continue to guard against substitution of its work and investment for that of other agencies with more direct responsibility for specific areas of activity.
- Its value for money strategy would benefit from being more clearly focused on measurable targets and outcomes.

Recommendations

| Recommendations | |
|-----------------|---|
| R1 | Maintain effective research and evaluation to inform future activity, including: <ul style="list-style-type: none">• evaluating the impact of the Housing Market Barometer¹ (HMB) and extending it to include social and rented housing market intelligence to capture the aspirations of all households in the area; and• developing a series of specific outcome measures and targets to more effectively evaluate the impact of the community cohesion strategy. (To be completed within 12 months) |
| R2 | Continue to support the development of new homes in the area by: <ul style="list-style-type: none">• undertaking a formal evaluation of the effectiveness of intermediate housing products to determine which initiatives to prioritise and support in future; and• working with partners to effectively market the full range of housing schemes and initiatives on offer in the pathfinder area. (To be completed within 12 months) |
| R3 | Complete and improve the deliverability of masterplans for the area by: <ul style="list-style-type: none">• ensuring that each masterplan is accompanied by a SMART delivery plan, based upon a realistic assessment of the availability of resources. (To be completed within 12 months) |
| R4 | Continue to make progress on recommendations arising from previous Performance Review and Use of Resources assessments, including: <ul style="list-style-type: none">• developing the value for money strategy to include SMART outcomes and an assessment of year-by-year expenditure to show clear efficiencies made against specific areas of work;• developing benchmarking to better understand comparative allocation of resources and the potential for cost savings in work commissioned; and• developing more effective ways of assessing and understanding the nature and extent of the pathfinder's impact on generating external investment. (To be completed within 12 months) |

¹ The Housing Market Barometer is a quarterly review of key housing market indicators in the Urban Living area. It includes house prices, house sales and void information as well as other information arising from Urban Living research projects.

Report

Update and use of housing market intelligence

- 21 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 Urban Living 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.
- 22 In our 2008 performance review we found Urban Living to be performing adequately in its approach to housing market intelligence. It held a wide range of up to date and original research into the housing and social characteristics of the pathfinder area. Intelligence was being used to tailor the pathfinder's work. However, its approach to tracking change and the understanding of the scale and range of needs of different ethnic groups were both under developed. We recommended that Urban Living should ensure that key messages were obtained following research and that clear action plans and recommendations were agreed and implemented to enhance the impact of interventions.
- 23 Urban Living is now performing well in the way it updates and uses housing market intelligence. Progress has been made on the recommendations made in our last performance review. The pathfinder has improved its understanding of the housing market. Intelligence is now being shared with partners and stakeholders who in turn have been able to inform the research programme. The pathfinder is making practical use of its knowledge and an effective evaluation process to focus its interventions where they are most needed and increase the impact they will have on local people. Urban Living's understanding of the housing needs of different ethnic groups is improving. It is not clear how thorough Urban Living's understanding is of the preferences and aspirations of the social housing market.
- 24 In July 2009, Urban Living published its first quarterly HMB. The first edition included the outcomes of an estate agents survey, covering the period June 2008 to June 2009. The HMB provides an at-a-glance but comprehensive study of the local housing market, including house prices, affordability and empty homes data. Although the HMB is a new initiative, it is unclear how users have been able to contribute to the evaluation necessary to make sure that it remains a relevant and useful piece of work.

- 25 Urban Living's understanding of the private rented sector is improving and landlords have been encouraged to take steps to improve the way they manage their properties. This is important as the private rented sector is a growing proportion of the stock. A survey of private landlords, led by Urban Living, confirmed landlords long term confidence in the market. There has been an increase in buy-to-let^I activity in the area, with BME landlords in particular investing in cheaper properties. However, there are signs of an over supply of privately rented properties and rental yields have started to fall. A private landlords' forum was held by the pathfinder for the first time in March 2009. Focus group work is now being organised to help the pathfinder better understand the business needs of private landlords and a landlord specialising in housing asylum seekers is working with SMBC to arrange early in 2010 training for its staff. BCC has used the pathfinder's private rented sector work to target licensing work, accreditation and advice services to landlords. A second survey of the private rented sector is to be completed in the final quarter of 2009/10.
- 26 Urban Living research programme for 2009/10 includes new research suggested by its partners. For example, existing and new residents' views on where they intend to settle and what for them makes a successful home are to be examined in a project looking at how diversity and community cohesion affect people's choices about where to live. This will help the pathfinder better understand how to develop housing options that will encourage people to settle in the area. Urban Living's research is also exploring areas of activity that have not been adequately covered in the past and in ways that improve the value and veracity of the intelligence gained. However, developers have not been closely involved in either shaping or sharing Urban Living's research programme. Given the fundamental changes taking place in housing market, it is important for Urban Living to more closely involve developers in its research programme.
- 27 It is not clear how thorough Urban Living's understanding is of the preferences and demands of social housing tenants and home seekers. Information on the need for social housing has been collected as a result of wider survey work but the potential to assess aspirations and choices, for example expressed through Choice Based Lettings^{II} scheme, remains unclear. This information would be helpful in gaining an understanding of the full housing market and help to inform interventions and investment to improve the role social housing plays in the pathfinder area.
- 28 The Urban Living Research Compendium^{III} continues to offer a comprehensive collection of relevant research, both historical and current, in the Urban Living area. It is available on the Urban Living website. Regular evaluation of how users value and use the Research Compendium would be useful to help Urban Living make sure that its research programme continues to be an effective use of resource.

^I Buy-to-let is an investment strategy in which an investor buys a residential property with the intention of renting it out for profit.

^{II} Choice Based Lettings allows applicants for social housing to apply for available vacancies which are advertised widely in their local area. The scheme has replaced the traditional approach of letting social housing through a waiting list and allows home seekers to more effectively express their choices and preferences.

^{III} The Urban Living Research Compendium contains the results of 60 reports of housing and social research dating back to 2004.

- 29 Practical use is being made of the local knowledge gained by the pathfinder. The Sustainability Index^I has informed the allocation of resources in 2009/11 with six areas targeted for investment where sustainability has not improved^{II}. The Index itself has been improved following external evaluation to better inform the 2010/11 programme. It now includes a community cohesion indicator. BCC has used the Index to support giving priority to investment in North West Birmingham. Housing market data has informed changes in the housing mix in the eastern Gateway in West Bromwich from apartments to larger homes.
- 30 Practical improvements in the quality of life for local people are being developed as a result of Urban Living's research and evaluation. A study of the de-conversions^{III} delivered in partnership with Midland Heart housing association (MHHA) has led to changes in the design of future schemes. The ground floor layout has been changed to allow the rooms to be opened up for the larger social gatherings popular with a number of BME communities.
- 31 Urban Living is responding positively to the findings of the external evaluation and strategic impact assessment of the 2008/09 programme. For example, its community cohesion strategy action plan includes a number of initiatives to develop self motivation within local communities and encourage local employment and training initiatives, with challenging targets set for partners to work towards.

Place shaping

- 32 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.
- 33 In our previous performance review Urban Living was performing well in its approach to place shaping. It had a clear and ambitious vision that was appropriate to the challenges that the pathfinder area faced. This was supported by a growing framework of statutory and non-statutory plans that drew heavily on the research that had been carried out. The plans had a strong focus on neighbourhoods, quality of environment and economic development. However, the involvement of local people in developing the plans and programmes had been limited.
- 34 Urban Living is continuing to perform well in this area of activity. The pathfinder has used its design capacity and capability to influence the way its partners take forward development. Environmental sustainability is being supported and local people are being more closely involved in developing plans. Local people are now actively engaged in planning and developing interventions for their neighbourhoods.

^I Urban Living's Sustainability Index measures on an annual basis a range of social, quality of life and economic indicators across the thirty two neighbourhoods that together make up the pathfinder. It provides a means of measuring progress in assessing liveability and social and economic resilience.

^{II} The six priority intervention areas being targeted for investment are Aston, Birchfield, Greets Green, Lozells, Newtown and Windmill Eye. These areas cover 14 neighbourhoods.

^{III} De-conversions are the reversion of properties from houses in multiple occupation (HMOs) to their original form as large family homes. This increases the supply of large homes to help encourage growing families to remain in the area and also addresses problems related to criminal and anti-social behaviour associated with some HMOs.

- 35** Masterplans which have been completed have influenced investment in priority areas. Masterplanning for priority neighbourhoods is scheduled for completion by autumn 2010 although not every neighbourhood will have its own bespoke masterplan. In some neighbourhoods, masterplanning has been incorporated into other, ongoing spatial and regeneration planning work. As part of the decision to focus resources on a small number of areas, a new approach to community resourced neighbourhood planning is being developed for non priority neighbourhoods as an alternative to formal master planning. The lack of SMART implementation plans and insufficient funding may hinder the delivery of some elements of the masterplans. There is some inconsistency in the way masterplans have been included in local statutory planning frameworks.
- 36** Progress on masterplanning has been slow, but where masterplans have been completed, they are starting to have an impact on the way partners are supporting the redevelopment of the pathfinder area. Masterplans for North and South Lozells have been used as the foundation for the Lozells Regeneration Framework produced by BCC and Urban Living. A new eco-village theme in the area will support the development of new homes, de-conversions, eco-retrofitting¹, and healthy eating allotments. SMBC has used the Smethwick masterplan to identify sites for new council houses. A development of 28 new eco-friendly council homes will be completed by 2011 on the Bearwood Road site acquired by Urban Living.
- 37** The masterplanning programme is due to be completed by autumn 2010. However, the implementation plans which describe how the masterplans will be delivered are not SMART. This is due to uncertainty about the availability of funding. Urban Living is addressing this by implementing each plan as and when the resources become available, in a phased process. This however presents a risk that the masterplans agreed with local people may lose credibility. This risk could be better managed by developing for each masterplan a SMART delivery plan based upon a realistic assessment of the availability of resources.
- 38** Not every area will have its own neighbourhood masterplan. For example, individual masterplans will not be developed for the City Canalside, Soho and Hockley/Spring Hill which are no longer priority neighbourhoods. However, within these neighbourhoods, spatial and regeneration planning is taking place as part of other masterplanning work – for example the Icknield Port Loop Development Framework. Urban Living has acted to reduce the risk that local needs and aspirations will not be fully captured in redevelopment and regeneration work for those communities without a bespoke neighbourhood masterplan. The Sense of Place² initiative is a new approach to community resourced neighbourhood planning. It has been designed to support communities to develop and exploit local resources such as social networks, and make better use access to capital, buildings, land and other public and private investment being made in an area. It is being piloted as part of the Strategic Regeneration Framework for the A41 Corridor and of the Neighbourhood Management and Town Centre Management Structures for Soho. Although it remains too early to assess the

¹ Eco-retrofitting is the process in which older properties are adapted to make them more environmentally friendly, for example by raising the level of insulation and installing energy efficient heating systems.

² The Sense of Place project is designed to create a toolkit and archive using a variety of media and techniques to encourage greater use of the existing assets, capacity and capability within neighbourhoods and by communities to support regeneration.

impact of Sense of Place, the initiative has the potential help Urban Living better identify locally available resources to improve housing and neighbourhood conditions.

- 39 There is some inconsistency in the way the masterplans have been included in the two statutory planning frameworks covering the pathfinder area. The Area Action Plan (AAP)^I for Smethwick is now fully adopted by SMBC and forms the basis for the more detailed Smethwick Windmill Eye Masterplan. The AAP for West Bromwich has been heavily influenced by the pathfinder's masterplanning work. Urban Living's plans for Sandwell are therefore able to benefit from being underpinned by local planning policy.
- 40 There is however a risk that Urban Living's ambitions for the Birmingham part of the area will be more difficult to achieve. Masterplan proposals will benefit from statutory underpinning only where they have explicitly informed an AAP, for example in South Aston and Newtown. However planning policy for development in the Hockley, Handsworth and Soho neighbourhoods will be governed by existing planning policy and a non-statutory Strategic Regeneration Framework, with masterplans having the status of material planning consideration^{II}.
- 41 Urban Living has increased its capacity and capability to deal with design. It has now appointed a director of urban design and enterprise to lead a team focused on driving forward urban design alongside employment, training and community engagement. Urban Living has used the new capacity to produce the development brief for the Birchfield Towers site in partnership with BCC as part of developing the masterplan for the Birchfield/A34 Corridor/Six Ways neighbourhood.
- 42 It is too early to see the impact of Urban Living's design strategy, published in June 2009. However, it emphasises the active involvement of local communities in shaping the design of future developments. The development of public and private space is also highlighted as is the need to recognise the rich heritage of much of the area's Victorian housing.
- 43 Urban Living is developing the capacity of local people to contribute to environmental sustainability. For example, to develop local skills, a new Level 2 NVQ^{III} qualification in eco-retrofitting is being piloted by Urban Living in partnership with the sector skills council for plumbing and electrical work. This work also helps support wider economic sustainability by developing employable skills amongst local people.
- 44 Urban Living is helping raise the thermal efficiency of homes in the area. It is offering eco enhancements to the residents of owner occupied properties in South Lozells, following on from its environmental work in Summerfield. A total of 36 refurbishments have been completed since November 2008 and 83 Green Doctor^{IV} home visits have been made to help people improve the way they use energy.

^I An Area Action Plan establishes a set of proposals and policies within a local authority's Local Development Framework of planning policies for the development of a specific area such as a town centre or an area of new development.

^{II} Material planning considerations are a range of issues that a planning authority has to consider when it assesses an individual planning application. However, the planning authority has discretion over how relevant and how much weight should be given to each consideration.

^{III} NVQs or National Vocational Qualifications are work based qualifications that are achieved through assessment and training. A Level 2 NVQ requires people to be able to work with others and have knowledge of a range of work related skills.

^{IV} The Green Doctor scheme provides home visits to offer advice to households on ways to save energy and cut fuel bills. Funded by Urban Living, the programme is delivered by Family Housing Association.

- 45 Cleared sites are managed to avoid creating eyesores. Creative use of hoardings has been used in Lozells to explain to the community future use intentions for the sites, helping to keep people informed and reduce the incidence of eyesores.

Affordable homes and mixed communities

- 46 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.
- 47 In 2008, Urban Living was assessed as performing adequately in terms of its approach to affordable homes and mixed communities. It had a clear strategy that focused on increasing the proportion of market and shared ownership properties within the area to create balanced communities. However Urban Living had struggled to increase the proportion of owner occupied homes. It was also not clear how Urban Living and its partners intended to address the consequences of a reduction in the relative proportion of affordable rented homes that will be available in the longer term. We formally recommended that it should, with its partners, address the likely impact of both the reduction in supply of, and the increase in demand for, affordable rented housing.
- 48 Urban Living is continuing to perform adequately in this area of work. Working with its partners, it has started to address our recommendation to maintain a supply of affordable housing. Underwriting risk has helped maintain some continued development of new homes. However, the pathfinder is falling behind in its long term objective to increase the proportion of owner occupied homes in the area. Although it has continued to try and encourage development of this type of housing, market conditions have meant it has had to adopt an approach to maintain new developments that in the short term may mean an increase in social or intermediate housing. Urban Living and its partners may also be missing opportunities to encourage greater investment by both developers and homebuyers in the area.
- 49 Urban Living has fallen behind in its long term objective to increase the number of people who own their homes. Between 2001 and 2008 both owner occupation and social rented housing have lost market share in the Urban Living area with private rented housing increasing its take. This is in part a consequence of property prices in the area rising quicker than incomes, a slowdown in the development of new homes for sale and the increasingly stringent approach being adopted by lenders when considering mortgage applications.
- 50 The pathfinder has adopted an Affordable Housing Policy as part of its 2009-11 Business Plan that attempts to balance the provision of new owner occupied housing with the need to reflect the current difficult market conditions. The pathfinder will now only commission or fund new build schemes on condition that housing will be provided in a ratio of two owner occupied homes to one social rented or intermediate home. However, the pathfinder will make exceptions in the context of challenging markets and allow for higher percentages of social housing to be built during the earlier development phases of some schemes. These exceptions will be subject to a condition

that a proportion of rented homes will later be sold into owner occupation. To help create mixed communities, in areas dominated by social rented housing Urban Living will support schemes with no affordable housing, but will expect developers to provide intermediate housing for sale to support home seekers on low incomes. However, it is not clear how closely developers have been involved in developing and validating these policies. Although Urban Living is working to ensure that a scheme it is supporting at Stanhope Road in Smethwick includes both owner occupied and social housing, it is still too early to assess how effective the new policies have been at encouraging increased provision of new owner occupied housing.

- 51 Urban Living has continued to use the Housing Pathways Toolkit^I to help developers continue work on schemes that were at risk of being abandoned. This has included de-risking^{II} projects. For example, the de-conversions programme was at risk of failing. Sales values of £180,000 meant the homes were not accessible to local people in an area where the average annual income is less than £20,000. Rent-to-Homebuy was selected from the tool kit to rescue phase one of the Lozells de-conversion scheme and to underwrite phase two by allocating funding to convert unsold properties to Rent-to-Buy^{III}. This helped ensure that MHHA remained committed to the scheme. The Improvements for Sale^{IV} project, which is bringing 26 long term empty homes back into use, has open market sale as the first option backed up by Housing Pathways tools to underwrite the developer's risk.
- 52 Although the use of the Housing Pathways toolkit has helped support development Urban Living and its partners may be missing opportunities to encourage greater investment by both developers and homebuyers in the area. Formal evaluation by Urban Living of the take up and popularity of intermediate housing products in the area is undertaken on a scheme-by-scheme basis, assessing each product as it is used. Current evaluation is restricted to the Cygnet scheme and the De-conversions Rent-to-Homebuy^V initiative. By more formally capturing the experiences of developers with their own, similar initiatives, the pathfinder could improve the viability and suitability of the full range schemes contained within the Housing Pathways toolkit. For example, some developers told us that conversion of difficult-to-sell properties to Rent to Homebuy has helped them to maintain progress while shared ownership^{VI}, by contrast, had generated little interest. There has also been insufficient joint working between the local HomeBuy^{VII} agent, Urban Living and developers to improve the marketing of the full range of housing market schemes and initiatives on offer in the pathfinder area.

^I The Housing Pathways Toolkit is a range of housing related options that help residents to move into, or remain living in, suitable sustainable privately owned homes of their choice within the Urban Living area.

^{II} De-risking: reducing the risk to a developer of investing in a project by using public funds to support those parts of the project that pose the most threat to its viability, for example uncertain housing market conditions or environmental problems with the development site.

^{III} Rent to Buy allows people to rent their home before opting to buy it. It is an Urban Living developed scheme which offers greater flexibility than the HCA Rent-to-Homebuy product.

^{IV} Improvements for Sale targets long term, poor condition empty properties. The properties are bought, refurbished and sold, removing from the area blighted properties from the neighbourhood.

^V Rent-to-Homebuy allows people to rent their home before opting to buy it using a HomeBuy product which helps reduce the cost of purchase. It is an HCA developed scheme.

^{VI} Shared ownership allows an occupier to buy a share in their home and rent the share they do not own. This helps reduce their overall housing costs while allowing the opportunity to invest in a home.

^{VII} HomeBuy helps social housing tenants, key workers and first time buyers to buy a share of a home.

Report

- 53 The effectiveness of the Housing Pathway's toolkit is impaired by a lack of understanding by all developers of its potential to help them move schemes forward, insufficient evaluation of intermediate housing products for their relevance to local market conditions and unclear marketing of housing options across the pathfinder area.
- 54 Urban Living needs to more effectively engage with lenders, including those with their base in the Midlands, to explore how locally targeted loan products can be developed and investors encouraged to back new developments in the pathfinder area. Lenders remain unwilling to lend on both open market and low cost home ownership properties. Lenders are also restricting their exposure to schemes. For example at Cygnet no lender would cover more than 25 per cent of the properties.
- 55 The pathfinder has however continued to work with its partners to try and encourage the development of new housing schemes. It has tried to do this in ways that will over time increase the proportion of owner occupied housing. The Crocodile Works scheme in Newtown was restructured to provide 126 flexible tenure apartments¹ to allow development to continue. Although this meant that additional rental units have been included in the scheme's tenure mix, they are seen as a short term measure and have been let in such a way as to encourage future conversion to owner occupation. The pathfinder has agreed with BCC that the sites being brought forward in Lozells will include in the first phases of development a high level of properties for outright sale.
- 56 Urban Living reacted quickly to help maintain progress at the Cygnet development in Smethwick. The financial problems of the developer meant that the new build housing scheme was at risk of being unfinished. The pathfinder tested and discussed with partners a range of options to avoid the risk of having an incomplete project on a prominent site that had been a local eyesore. Unable to find an investor able to complete the scheme, Urban Living worked with MHHA to take the scheme on itself. The pathfinder has put in place a structured approach to ensure occupancy of the properties and which will over time secure a return to Urban Living of its original investment. While there is some concern that the pathfinder is still exposed to a large financial risk from the scheme, it has put in place mitigation measures to manage this.
- 57 Urban Living's support for the Cygnet scheme is helping to diversify tenure and help local people remain in the area, contributing to community stability. The homes at Cygnet are being offered to people registered with Sandwell's choice based lettings system at a price below the market level. It is supported by Urban Living Homebuy equity mortgage product². This approach was adopted after a soft marketing exercise generated a high level of interest and support amongst local people who had registered with SMBC for social housing.

¹ Flexible tenure apartments offer home seekers a choice of buying outright, renting before they buy, renting at a rate between market and social rent levels and social rent.

² Urban Living Homebuy - one of the products available as part of Housing Pathways Toolkit- it allows a home seeker to buy 75 per cent of the property, the remaining 25 per cent being retained by the developer with no rent payable on this share of the property. The occupier can at any time buy the retained equity stake.

- 58 The Kickstart¹ programme prompted Urban Living to review all new developments in its area. Only three developments in the Urban Living area met the 50 unit threshold for inclusion in the Kickstart scheme. Of these, two schemes have successfully been included in the first phase of Kickstart while the third, the Mint, is in administration and therefore ineligible.
- 59 Urban Living has influenced housing providers to match new homes to local needs, including making sure that demand for affordable housing is addressed. Both local authorities had their bids to build new council homes approved by government in summer 2009. HMR site assembly is supporting this, and Urban Living has worked with SMBC to ensure that four bedroom family houses, which meet the needs of some groups in the community, are part of the Council's house building programme. A condition of funding is that they must be on-site by March 2010 and when completed, they will provide more affordable homes. However, continuing clearance of obsolete and unpopular public sector housing will still mean a net loss of 275 affordable homes through the Urban Living programme to 2011.

Community cohesion, consultation and support

- 60 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.
- 61 In our last performance review we found that Urban Living was assessed as performing well in its approach to community cohesion, consultation and support. Leadership, engagement and the targeting of work on specific areas and groups were all positive features. However the diversity of the board and the absence of a consultation strategy were identified as weaknesses. We recommended that Urban Living should improve the diversity of the board and develop a consultation strategy with a focus on early involvement of residents in decision making.
- 62 The pathfinder is now performing strongly in this area of work and has fulfilled the recommendations arising from our last Performance Review. Urban Living has increased the investment it is making in promoting community cohesion and engagement. There is good partnership working to tackle community cohesion, with meetings at all levels between Urban Living and the two local authorities. The board and the staff are now more representative of the pathfinder area's population. It is working well with a wide variety of different organisations to improve the way it works with local people. A variety of tools have been used to strengthen relationships with local people, including arts and sports projects. A community engagement strategy and action plan is now in place although it lacks a rigorous approach to evaluating the effectiveness of its processes and actions.

¹ Announced in the budget, in April 2009, as part of the government's housing stimulus package, the Kickstart Housing Delivery programme is targeted at currently stalled sites; to support construction of high quality mixed tenure housing. Additional resources for Kickstart were announced in 'Building Britain's Future' in June 2009.

- 63 Urban Living has adopted a robust community cohesion strategy and action plan for the period 2009/11. The pathfinder has increased funding for community cohesion projects from £314,000 in 2008/09 to £900,000 for the next two years. Just under half of the funding is being directed to the priority neighbourhoods of North and South Lozells, East Handsworth and Newtown where there is the greatest need to develop community cohesion capacity and capability. An example of this is the Old Bank project, which will create a community owned asset for Lozells and Handsworth.
- 64 The community cohesion strategy and action plan has a large number of indicators but few of these reflect the desired outcomes of the strategy. Satisfaction with the area and opportunities to participate are the only specific outcomes and actual targets are not stated. A research project has been commissioned to provide a more rounded analysis of whether community cohesion is improving, but other than this the outcomes against which the strategy will be judged are either limited or absent. The Board and stakeholders will be less able to judge the success of Urban Living without clear indicators.
- 65 The pathfinder is however working pro-actively to promote community cohesion to help mitigate the worst effects of the recession. Forty two organisations are expected to be funded with 44 projects serving over 4,000 people in 2009/10. During the last year, the pathfinder has funded 34 mainly third sector organisations to deliver community cohesion activity around arts, sport and capacity building. These have included schemes such as providing after-school education projects, youth events, family and advocacy support in the Lozells area and the 'Our Square Mile' project in Smethwick, which asks people to map and track the cultural diversity, the biodiversity, and changing street scene over time of their local square mile. Outcomes that local people will recognise from the work on community cohesion include a reduction in street prostitution and the removal of eyesores that undermine the image of specific places. There has also been a slight increase between 2005 and 2008 in the number of people who are very or fairly satisfied with their local area.
- 66 Equality Impact Assessment¹ requirements have improved the way the pathfinder is working with its partners to enhance community cohesion in the area. Partners requesting support from Urban Living are expected to have assessed the equality impacts of their proposals. This has resulted in some bids for funding being rejected because they did not meet the standards required by the pathfinder. Urban Living has not had to use the clause which allows it to claw back 10 per cent of funding from any commissioned work which the pathfinder assesses as not having fulfilled promised cohesion benefits. This clause is clearly providing a robust incentive for partners to improve their approach to community cohesion.

¹ An Equality Impact Assessment is the process by which an organisation examines its activities to minimise the potential for discrimination and to enhance and improve the way it supports community cohesion.

- 67 The Urban Living Board has strengthened its capacity to integrate community cohesion into the work of the pathfinder. It has recruited two high calibre representatives of the community to its board. They understand their roles fully and have been well supported by Urban Living managers. They have a strong background in the health and voluntary sector. As community activists they have been prepared to challenge the policies and practices of Urban Living and its partners. This has increased Urban Living's focus on the delivery of the programme and on community engagement and cohesion. A member of the board has accepted the role of champion for equality and diversity.
- 68 Urban Living has responded positively to the need to help local people to become more involved at all stages of planning for the future. Local people are now closely involved with Urban Living's masterplanning and related design projects. Training for Neighbourhood Forums¹ has allowed members to communicate more effectively with architects engaged as part of the masterplanning work. On some projects, for example the Smethwick Masterplan and the Sense of Place initiative, local people have been employed for their local expertise. The approach adopted by Urban Living to building capacity and capability amongst local people will help to maintain community support for the pathfinder's work. However, some of the community groups that we spoke to remain cautious in their assessment of the impact of regeneration work in the area until there are more visible social and housing improvements.
- 69 Young people have been actively involved in the work of the pathfinder. The Young Design Champions project, resourced by Urban Living, has engaged with young people about development and design through the school curriculum during 2009/10. This good practice is being shared. A 'toolkit' has been produced for BCC and developers to deliver the programme in other areas where regeneration and development is on-going. By developing initiatives for young people, Urban Living is sharing positive ideas about urban regeneration that will help people become more active members of the community.
- 70 Urban Living is working effectively with the voluntary sector. It has targeted its budget on those organisations that have a strong track record, expertise and commitment to diversity. The activity funded is imaginative and is bringing communities together. Examples include work with Aston Villa Football Club to help steer young people away from crime and develop positive relationships with the police. Arts and media projects, including for example a film about Smethwick produced by local people, have been positively received by the community.
- 71 Urban Living has worked with its partners to try and help reduce the impact of gang related crime, which is a barrier for young people to move in search of work and better housing conditions. HMR funded research has supported a funding proposal to the Big Lottery Fund for £500,000 to fund the Urban Futures Hub Project in Handsworth. This is the first such hub in a gang hotspot, with feasibility work underway for further hubs in Lozells and West Bromwich. The project, which opened in October 2009, will try new approaches to engaging this group, providing them with alternative lifestyles to gang related crime. It will link reducing unemployment with reducing crime. Targets include engaging with 100 residents over the next 18 months with 30 developing new skills and finding employment.

¹ Neighbourhood Forums are groups of local people who have come together to represent the views and aspirations of local communities to agencies working in their areas. They are independent of formal political structures.

Delivery and Impact

- 72** 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.
- 73** Urban Living was performing well on its delivery and impact in our 2008 review. Governance arrangements had been strengthened and developers were still active on sites in the pathfinder area. However it was difficult to identify the overall impact of its interventions since the quality of post project appraisals was mixed.
- 74** The pathfinder is continuing to perform well on delivery and impact. Although overall activity in the pathfinder area has slowed, outputs agreed with the HCA have generally been met. There was an under spend in 2008/09 but new working practices have been put into place to reduce the likelihood of this happening in the future. The pathfinder continues to seek to improve the way it manages its activities. Work has been completed to improve Urban Living's understanding of the impact of its work on local communities. There have been improvements in a number of areas and themes. Many people are still expressing concern about the quality of life in the area, including for example crime and anti-social behaviour, but work is being taken forward to respond to a number of these concerns.
- 75** The amount of finance directly levered into HMR projects and activities from across the public sector during 2008/09 was £12.06 million. It can be said that for every £1 of HMR funding, £0.55 of other public sector funding was spent on HMR projects during 2008/09. This compares to an equivalent figure of £0.14 during 2007/08. However, the amount of investment contributed to the pathfinder programme by local authority capital investment funds reduced from £5.38 million to £2.06 million between 2007/08 and 2008/09. This is a result of a decision taken to adopt a more flexible approach to the funding profile of match funding in 2008/9. The reduction will be made up with additional activity during the 2009/10 programme.
- 76** The amount of private sector finance directly levered into HMR projects and activities during 2008/09 was reported to the HCA as being £22million. Urban Living has since revised the description of this to be an estimate of complementary leverage rather than direct investment. It can be said that for every £1 of HMR funding invested, no private sector funding was directly contributed to HMR projects during 2008/09. Direct leverage was nil because private sector investment stopped and public sector funds needed to be put in place to allow developments such as Crocodile Works, the Lyng and Cygnet to proceed. It should be noted that unlike other pathfinders, Urban Living did not capture this information prior to 2008/09 so comparisons with previous years cannot be made.

- 77** Urban Living did not use its full allocation of funding in 2008/09 and secured agreement from HCA to roll over £2.5 million to 2009/10. In 2008/09 it invested £22.46 million compared to £29.21 million in 2007/8. New working practices have been put into place to reduce the likelihood of an under spend happening in the future. Work is being commissioned ahead of the funding being received; contingency projects have been introduced to take up any under spend from delayed projects and Urban Living now has the ability to 'over programme' work. This appears to be having an impact with spend and output targets being met in the first half of 2009/10. Contracts have also been signed to start work on five sites in 2010 in Sandwell that will, when complete, deliver over 800 new homes.
- 78** The HCA agreed to a reduction in the number of new homes to be constructed or converted and financed by HMR grant in the pathfinder area in 2008/09 from 45 to zero. The output had originally been planned to come from two schemes but these were delayed as a result of the recession impacting upon the viability of the projects. In 2007/08, performance in this area was 36 additional homes. For 2009/10, the pathfinder has a target to deliver 52 new homes. No homes were built on land made available through HMR in both 2007/08 and 2008/09.
- 79** The pathfinder had a revised target for 2008/09 to increase the amount of land to be acquired from 1.31 Hectares to 3.00 Hectares. It fulfilled this target by acquiring 3.1 hectares of land. The pathfinder was unable to complete the purchase of three small sites for affordable housing 2008/09 but will complete on these in 2009/10.
- 80** In 2008/9, the pathfinder demolished 334 properties, exceeding its revised target for the year of 220 and the previous year's performance of 207. The original target for demolitions in 2008/9 had been 157. For 2009/10 it has been set at 247.
- 81** Refurbishments fell from 1,498 in 2007/08 to 487 in 2008/09. This is however well above the number agreed with the HCA of 197. The high performance in 2007/08 was due to a high number of External Complementary Works (ECW)¹ in Lozells and Canalside. This type of work allows for more properties to be included than would be the case for a project that involved the more extensive work, such as a full property face-lift. However, the Urban Living Board took a decision in 2008/09 to move investment away from ECW work and towards transformational works of a larger scale, for example by supporting the Crocodile Works. The target for refurbishments in 2009/10 is 261.

¹ External Complementary Works improve the fences, walls and other external features to the front of a property, to improve the overall appearance of a street or neighbourhood.

- 82** The pathfinder met its revised target to acquire 58 properties using HMR funding during 2008/09. The original target had been 89. This was considerably lower than the 146 properties acquired during 2007/08. During 2007/08 the Greets Green scheme to buy and clear properties was at its peak. This phase of the scheme has been completed. With the prospect of reduced market values, the pathfinder tried to continue acquiring homes in during 2008/09. However, it found that in a number of instances vendors held unrealistic expectations and it was not possible or prudent to complete sufficient purchases within the financial year. To accommodate these issues, Urban Living secured the agreement of HCA to carry forward 10 per cent of the 2008/09 budget into 2009/10, which helped support progress to be made on the Cygnet scheme in the early part of the year. The target for 2009/10 is to acquire 59 properties.
- 83** Urban Living continues to seek to improve the way it manages the programme. The Board is now more reflective of the diverse population mix in the area and includes greater representation from the employment and skills sector. The pathfinder's ability to interact with the regional economic development agenda has been improved by the partnership director of Advantage West Midlands (AWM)¹ and the regional director of the HCA joining the Urban Living Delivery Board. Managerial instability has also been addressed. At the end of 2008 a permanent senior management team was appointed, including a new chief executive. This has helped the pathfinder develop a longer term and more coherent approach to its work. Partners expressed confidence in the pathfinder's ability to deliver on its objectives.
- 84** Urban Living is monitoring the impact of its interventions. The pathfinder's Sustainability Index shows a reduction in the number of least sustainable neighbourhoods from 20 to 12. In a number of areas it has responded to the findings by shaping its interventions and working with partners to tackle the issues of concern to local people, for example by supporting initiatives that will help reduce crime and anti-social behaviour. However, in some areas, the response is unclear, for example how partners are being encouraged to improve the quality of neighbourhood maintenance. There remains a need for the pathfinder and its partners to further improve the quality of life for people in the pathfinder area.

¹ Advantage West Midlands is the development agency for the West Midlands region. It has responsibility for the Regional Economic Strategy.

85 The Household Survey¹ of more than 2,500 households showed that there has been an increase in people being satisfied or fairly satisfied in their local area from 78 per cent in 2005 to 82 per cent in 2008. Although when satisfaction with both neighbourhood and accommodation is considered, the pathfinder falls below the national average, this is still a reasonably positive outcome for an area with high levels of multiple deprivation. Improving the local environment was rated as the highest priority by local people (34 per cent) followed by improving housing (22 per cent) and improving community safety (19 per cent). It is unclear what specific actions, for example influencing partners to improve the way neighbourhoods are maintained, are being taken to tackle the environmental issues. However, the pathfinder's investment programme will make a contribution towards improving the housing in the area. It is also supporting a number of interventions to reduce crime, for example the Urban Futures Hub Project, and the police have given a commitment that officers will be based in an area for two years at least to build up local knowledge and relationships.

¹ A large scale Household Survey was conducted on behalf of Urban Living by Vector Research in the summer and autumn 2008 to provide detailed data on households, local aspirations and resident's attitudes to their home, neighbourhood and local area. It reported in January 2009.

- 86 Only a fifth of people feel that they can influence decisions. The pathfinder has responded to by putting in place a community engagement strategy and action plan although it is too early to assess the impact of this work. The survey showed that those living in the pathfinder area have a lower than average belief that people from different backgrounds get on well together. The pathfinder has responded to this, for example by adopting a community cohesion strategy and action plan, increasing the resources available to support this work and by prioritising its cohesion priorities on the Lozells and Windmill Eye areas where the survey showed the greatest need for improvements.

Strategic and operational alignment

- 87 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.
- 88 In our 2008 performance review, Urban Living was assessed as performing well in its approach to strategic and operational alignment. Urban Living and its partners shared a strong commitment to partnership working. There was also a high degree of engagement with major stakeholders. As a result of this Urban Living had been able to improve the degree of influence that it has upon its partners.
- 89 Urban Living is continuing to perform well in its strategic and operational alignment. Strategic alignment between the pathfinder and other agencies working in the area is leading to more effective investment in practical joint projects. The pathfinder has adopted a revised Business Plan for 2009-11 which focuses attention on a smaller number of interventions. It has promoted and supported employment and training but with mixed results for pathfinder communities. The pathfinder needs to progress plans to ensure that its achievements, initiatives and projects are safeguarded for the future.
- 90 Support for employment and training is well developed and delivering results. Between April 2008 to October 2009, 326 job opportunities have been created, of which 97 have been identified since April 1 2009. However, to date only 11 per cent of these opportunities have been accessed by local residents. 77 training opportunities have been secured within the current year's HMR funded programme.
- 91 The quality of the training and employment initiatives is also being improved, helping to raise local employment aspirations. The Learning and Skills Councilⁱ, which is now a member of the Urban Living Board, challenged the pathfinder to evolve training and job placements into apprenticeships leading to formal qualifications. Urban Living used the demolition contract for Birchfield Towers to develop with South Birmingham College and the Sector Skills Councilⁱⁱ Britain's first apprenticeship in demolition. Seven people from the Urban Living area are now serving as demolition apprentices.

ⁱ The Learning Skills Council is responsible for planning and funding high quality education and training for everyone in England other than those who study at universities.

ⁱⁱ Sector Skills Councils are independent, employer led organisations designed to support the development of skills within specific sectors of the economy.

- 92 Urban Livings appraisal process for projects requesting HMR support is now more rigorous in its requirements for jobs and training outputs, raising the standard of outputs achieved. For example, funding support to Family Housing Association was conditional upon the association developing a National Open College Network^I Eco training qualification at level 2 which will help provide trainees with tradable skills.
- 93 Urban Living's practical experiences in developing community benefit clauses^{II} have helped inform and improve the way this approach is being used across the West Midlands to generating additional outputs from regeneration investment. The pathfinder's work has informed an engagement programme with employers in support of a Government Office West Midlands project, the 'Public Procurement Framework'. As a result of legal skills workshops organised by Urban Living for public agencies, BCC's housing team has this year begun to include community benefit clauses in new contracts, including for example work at Birchfield Towers.
- 94 Urban Living is working well to support local businesses. An officer has been seconded to SMBC to make sure all the council's contracts offer opportunities for local suppliers. A 'Meet the Buyer' business breakfast event engaged 120 local companies of which at least three have won successful contracts with Urban Living. Creating and retaining local employment opportunities will underpin the pathfinder's housing market.
- 95 Urban Living has adopted a new Business Plan for 2009-11 which represents a pragmatic and positive response to the financial and housing market challenges facing it. The assumptions made about resourcing the pathfinder's direct interventions are robust and evidenced. Direct interventions have been focused down to five project themes: a moral or contractual commitment to complete a project; schemes which respond to the problems created by the credit crunch; projects bringing existing assets into use; masterplanning and other design and planning exercises and people-based interventions which will support community cohesion and economic empowerment. This more focused and targeted approach to Urban Living's work will result in a greater impact in those areas where it is still intervening.
- 96 Urban Living is making a positive contribution towards the development of economic strategy for the area. Its own economic development strategy (EDS) was completed at the end of 2009 and has the support of both local authorities and AWM. It is seen as being part of an overall hierarchy of economic strategies. The Urban Living EDS will provide the local delivery element. It will join up a wide range of sometimes disconnected broader policy and funding interventions in the pathfinder area. However, Urban Living should ensure that its EDS is clearly complementary and does not substitute for the economic development responsibilities of its partners.

^I The National Open College Network (NOCN) offers qualifications in vocationally related subjects. It delivers its qualifications through further and higher education institutions, trade unions, employers, local education authorities and training organisations and voluntary and community organisations

^{II} Community Benefit Clauses can be included in contracts let by public sector bodies. They are designed to bring extra benefits to disadvantaged communities such as employment, training and local procurement.

- 97** Urban Living relationships with its local partners are effective and productive. Both the NDC projects in the pathfinder area end in March 2011. Urban Living has been helping develop succession strategies for these projects, including for Aston Pride a Community Development Trust¹, with a focus upon neighbourhood management. Regular presentations to SMBC's cabinet have helped speed up decision making and delivery of the Greets Green redevelopment. In Handsworth and Lozells close working with BCC's new neighbourhood managers has led to the creation of small teams who tackle litter, fly-tipping and graffiti, addressing one of the problems identified by residents in the Household Survey. A regular forum established with local housing associations has led to an agreement with Accord to consider developing a deliverable self build project. The relationship with HCA is strong. HMR funds are being used to maintain progress on schemes that were unable to be supported by the National Affordable Housing programme due to a lack of available resources when they were needed, for example the Brindley Village II housing scheme in Smethwick, on the understanding that the HCA refunds some of this funding at a later date.
- 98** Partners are keen to see progress being made by Urban Living on developing options for how urban and housing regeneration can continue to be delivered in the area when the current pathfinder funding ends on March 2011. Urban Living's chief executive has been tasked with drawing up a succession strategy. This will help give long standing partners, such as local authorities, time to shape their own activity to build upon the pathfinder's work to date.

Efficiency and effectiveness

- 99** 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.
- 100** In 2008, we judged Urban Living to be performing adequately in its approach to efficiency and effectiveness. It had a more robust approach to asset management and procurement. Options appraisals were carried out thoroughly, making use of independent expertise as appropriate. Reliance on interim managers, and associated staffing costs remained high. Urban Living recorded the lowest levels of matched funding of all pathfinders and could not show how its investment in the area generated in additional private and other funding. We recommended that the pathfinder maximise and formally capture the extent of complementary and private sector funding.

¹ Community development trusts are enterprises engaged in the regeneration of an area and which ensure that the benefits of their business activity are returned to the community. While there is no one model for trusts, the underlying principle is to create assets in the local neighbourhood and make a profit which is re-invested in the community.

- 101** In our 2008 Use of Resources assessment we assessed the pathfinder as performing adequately in the use of resources. Urban Living had a range of strengths including a programme of interventions aligned to its strategic priorities, and robust risk management and effective systems and controls are in place. A strategic commissioning approach for projects had been adopted, and there was good use of options appraisal. However there were some areas which required improvement. These included developing a formal efficiency plan and value for money strategy, reviewing the ongoing use of high levels of interim staff and consultants and strengthening the approach to benchmarking costs.
- 102** Urban Living has again been assessed as performing adequately in its approach to efficiency and effectiveness. It has reduced its use of interim staff and consultants. It has taken steps to better understand the extent of complementary investment in the area. Some savings have been made in projects the pathfinder has delivered by adopting different approaches to procurement. A value for money strategy is now in place which shows that interventions reflect the pathfinder's priorities. However, the value for money strategy is not consistently specific or outcome focussed. Urban Living is taking a pragmatic approach to making interventions that could be funded by other partners, when this is the most practicable option to secure its objectives. It should continue to guard against the risk of its funding being considered as substitution for resources from other agencies.
- 103** Urban Living is focused on making savings in the way it delivers the pathfinder programme. While expenditure on delivery costs increased from 2005/06 until 2007/08, the cost of running Urban Living and managing its programme fell from £2.78 million in 2007/08 to £2.69 million in 2008/09. Although conversely this represents an increase in percentage terms, with running costs accounting for 12 per cent of total expenditure in 2008/09 compared to 9.5 per cent the previous year. Costs are forecast to fall to £2 million in 2009/10 and to £1.5 million in 2010/11. Urban Living has identified some specific savings, for example by reducing its use of interim staff and consultants leading to a cash saving this year of £388,000. However, it is not clear how the pathfinder will make the reductions necessary to achieve its target for 2010/11.
- 104** Urban Living has begun to address our recommendation that the pathfinder develop a formal efficiency plan and value for money strategy. However, it is still unable to clearly demonstrate that it fully understands its costs and that it has in place a robust approach to securing and measuring tangible savings in its work.
- 105** A new value for money strategy and efficiency plan puts a strong emphasis upon ensuring that each intervention reflects the needs and priorities of the pathfinder. Most actions are focused upon improving management processes. Some savings have been made on the Crocodile Works project, using good practice from Birmingham to reduce demolition costs in Sandwell and by using a private developer to provide an alternative model for de-conversions in Lozells.

- 106** However, the value for money strategy and efficiency plan lack SMART outcomes and targets. There is no assessment of year-by-year expenditure to show efficiencies made against specific areas of work. It is difficult to quantify the scale of efficiencies Urban Living hopes to achieve since there is no analysis of the current costs and outcomes of its work. It is not clear how the targets for cash savings in the efficiency plan relate to the overall budget, the previous year's expenditure or an assessment of what is an appropriate level of expenditure for any specific area of work. Although benchmarking during appraisal processes has had some success in reducing fees and costs, it remains under developed across the full range of the pathfinder's activities.
- 107** Urban Living has used its resources to both encourage continued inward investment by both private and public sector partners and support wider regeneration work. Providing funds to develop site infrastructure enabled developers to continue building the Lyng housing scheme in West Bromwich. However, it is unclear how Urban Living reports the nature and extent private sector funding attracted to the area as a result of the pathfinder programme. For example, outputs reported to the HCA indicate that no new homes were built or converted in the Urban Living area during 2008/09, compared to 330 in 2007/8. This is at odds with a recent report by ECOTEC which suggests 143 completions in the area have secured private sector investment of £8.09 million. This report, in September 2009, was commissioned by Urban Living to better understand the extent of public and private investment in the area generated by pathfinder activity. While the report seeks to capture the extent of all external investment in the pathfinder area it does not identify where and how this has been influenced by Urban Living's work. For example, it includes within its estimates for private sector investment in the pathfinder area the gross value of all property transactions. Although this cannot be attributed to the pathfinder, Urban Living used this research to revise the value of total capital investment in the area to approximately £172million in 2008/09 from its original assumptions of £56million. Understanding and evaluating the extent to which private and public sector investment is stimulated by the pathfinder programme is problematic remains an area of performance evaluation that still needs to be addressed. The research commissioned by Urban Living does not contribute substantively towards developing a methodology to improve the way complementary investment can be assessed and evaluated. This means that Urban Living's understanding of the impact and influence of its investment in the area remains incomplete.
- 108** While it is not always clear how HMR funding is contributing towards pathfinder objectives of addressing housing market failure, interventions have been agreed when they make a positive contribution to improving the overall quality of the built environment. For example, the pathfinder is investing £1 million to improve the insulation and appearance of two council owned tower blocks in Newtown, as part of the HCA supported low carbon infrastructure initiative. Although the contribution to broader housing market objectives of altering the area's housing offer is not immediately apparent, this will help support the wider work to clear and remodel the North east Newtown estate. Similarly, the demolition of three tower block in Birchfield was funded by Urban Living. The council, which owned the blocks, could not afford to either refurbish or clear them when a private sector sponsored project became unviable due to the collapse in the market for apartments. Leaving the blocks, vacant, obsolete and unsightly in their unimproved condition, would have adversely impacted upon Urban Living's neighbourhood improvement plans. In other instances, while

resources are not specifically directed at housing, the market benefit is clearer. For example, it is part funding AWM's LiveWork project in Birmingham's Jewellery Quarter. This project developed 13 units, each offering a workshop and living accommodation, to help graduates of the Jewellery College to remain in the area and develop new businesses. Although Urban Living is taking a pragmatic approach to making interventions that could be funded by other partners when this is the most practicable option to secure its objectives, it should continue to guard against the risk of its funding being considered as substitution for resources from other agencies.

- 109** Urban Living has made progress in improving the value for money of its research programme. This has included making effective use of research undertaken by partners, for example housing markets research by BCC. The pathfinder has also held back from commissioning some research until it has decided whether or not other work can provide the intelligence it needs. Examples include securing a greater understanding of the housing needs of the White community and migration data collected in partnership with the NHS. Urban Living, BCC and SMBC have together commissioned research into overcrowding and under occupation. Both local authorities are overcrowding pathfinders. While Urban Living's support for such research may help influence the work to be relevant to its needs, the pathfinder should ensure that it focuses research resources on themes that cannot be expected to be covered by the local strategic housing and planning authorities.
- 110** Urban Living is continuing to share its learning with other organisations. It uses its website, annual report and project and partnership meetings to draw other organisations' attention to what it has learnt. It is also expanding those interventions where experience has shown them to be most positive, for example the award winning Summerfields project¹ in Lozells and Smethwick which won the public sector category at the National Energy Efficiency Awards at the end of 2008.

¹ The Summerfield Eco-village Partnership is the largest renewable technology retrofit project in Britain. Between February 2007 to March 2008, solar panels, super insulation, energy efficient heating and lighting were fitted free of charge to 329 owner occupier homes to help reduce fuel poverty for people on low incomes. The project also created a number of employment opportunities for local residents.

Appendix 1 - Summary of review activity undertaken

111 During the course of this assessment, the Audit Commission assessment team undertook the following activities.

- Visits to areas in which the pathfinder is working to see what changes are visible to residents of Sandwell and Birmingham.
- Meetings with local residents, community groups and third sector partners.
- Interviews with managers and board members of the pathfinder.
- Interviews and focus groups of local authorities and other stakeholders.
- A review of documents to be found on the pathfinder website.
- A review of research documents and reports, housing market assessments, master plans, strategy and policy documents and other material provided by Urban Living.

Positive practice

‘The Commission will identify and promote good practice. Every inspection will look for examples of good practice and innovation, and for creative ways to overcome barriers and resistance to change or make better use of resources’.
(Seeing is Believing)

Community Cohesion: Urban Living has introduced a provision in its funding agreements that allows the pathfinder to claw back 10 per cent of funding from any commissioned work which is assessed as not having fulfilled promised cohesion benefits. The pathfinder has not had to use this clause, which is clearly providing a robust incentive for partners to improve their approach to community cohesion.

Community Engagement: Urban Living has developed initiatives which will help share positive ideas about urban regeneration to encourage young people become more active members of the community. The Young Design Champions project has engaged with young people about development and design through the school curriculum during 2009/10. This good practice is being shared. A ‘toolkit’ has been produced for BCC and developers to deliver the programme in other areas where regeneration and development is ongoing.

Employment and Training: Urban Living is working to raise the quality of regeneration based training and employment initiatives, helping to raise local employment aspirations. A number of training and job placements have been developed into apprenticeships leading to formal qualifications. The demolition contract for Birchfield Towers was used to develop with South Birmingham College and the Sector Skills Council Britain’s first apprenticeship in demolition.

The Audit Commission

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