

## Regeneration revival? Making housing-led regeneration work across England

PATTISON, Ben, TYLER, Peter, WELLS, Peter and WILSON, Ian

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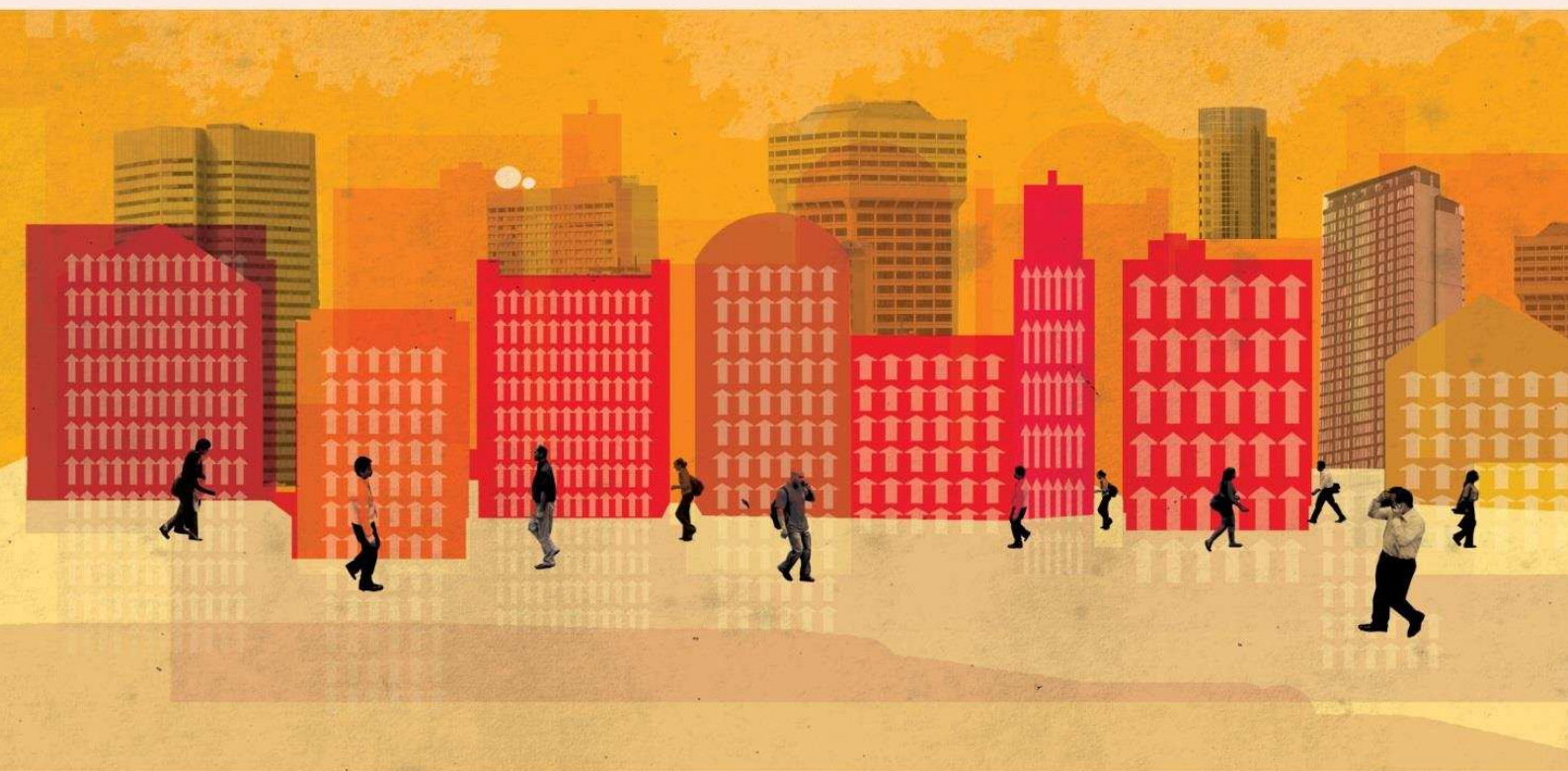
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# Regeneration Revival? Making housing-led regeneration work across England

April 2016



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## Full findings

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April 2016

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# Executive summary

## Context

In January 2016, the Prime Minister, David Cameron, announced a new programme to support regeneration. He argued that some estates "are actually entrenching poverty in Britain – isolating and entrapping many of our families and communities."<sup>1</sup> This new programme is seeking to transform around 100 estates across England. Existing housing will either be refurbished or demolished and replaced with new stock. The programme includes £140 million of loan funding to meet up-front costs. A new advisory panel, led by Lord Heseltine, will report to the government before the Autumn Statement in 2016.

The Coalition government adopted a localist approach to regeneration. There were questions about this approach including a lack of resources to match the scale of the issues, concerns about gentrification and the interaction with changes to other policies areas such as welfare reform and wider housing policies. The Conservative government have sought to devolve a range of powers over housing, infrastructure and economic growth to a local level. These have taken different forms and names including Growth Deals and City Deals.

CIH and Poplar HARCA have previously argued that a new national focus on regeneration is required.<sup>2</sup> The development of a new advisory panel provides the opportunity to review the current situation for regeneration and deliver this national focus. In this report we provide an evidence base to support the work of the new national advisory panel on housing-led regeneration.

Within this context our research seeks to address the following questions:

- What are the potential benefits of housing-led regeneration in the current context?
- What types of housing-led regeneration projects are currently occurring?
- What lessons can be learned from current housing-led regeneration projects and the barriers they face?

## Findings

In 2010, we conducted research into the benefits of different types of regeneration. This included the calculation of Benefit Cost Ratios (BCR) in the three areas of housing activity. BCRs provide a ratio of the full costs of regeneration against the value of the full societal and economic benefits. We found:

- New build housing activity had a Benefit Cost Ratio of 1.7 (that is for £1 of investment there are wider economic and societal benefits of £1.7).

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<sup>1</sup> Cameron, D. (2016) Estate regeneration: article by David Cameron, <https://www.gov.uk/government/speeches/estate-regeneration-article-by-david-cameron>

<sup>2</sup> CIH & Poplar HARCA (2015) Regeneration Revival, [http://www.cih.org/publication-free/display/vpathDCR/templatedata/cih/publication-free/data/Regeneration\\_revival\\_-\\_interim\\_report](http://www.cih.org/publication-free/display/vpathDCR/templatedata/cih/publication-free/data/Regeneration_revival_-_interim_report)

- Improvements to existing housing stock had a Benefit Cost Ratio of 1.3.
- Acquisition, demolition and new build housing had a Benefit Cost Ratio of 3.7.

The context for regeneration has changed: through funding cuts, new sets of policy priorities but also new models of funding. These changes mean that there is no current equivalent to the BCRs undertaken in 2010. We provide three kinds of evidence to update the 2010 findings for the current context. These are to update the logic chains or 'theory of change' which underpin calculations of benefit; to calculate BCRs for one funding programme (the government's Affordable Homes Programme); and to use case studies to explore how costs and benefits will vary from scheme to scheme. Together these provide a blueprint for how local stakeholders may calculate BCRs in common and consistent ways.

Analysis of the Affordable Homes Programme (2011-15) suggests that regeneration still provides considerable economic and societal value relative to the cost. We find that the BCRs outlined in the 2010 report are likely to represent a useful indication of the total non-market returns from government investment. At a national level it appears that housing-led regeneration remains an effective use of government resources.

The case studies demonstrate both the need for regeneration and how schemes can work in the current policy and fiscal climate. The case studies represent partnerships between public sector bodies, Housing Associations and the private sector. These partnerships are able to achieve higher standards of accommodation and deliver a wider range of outcomes than private provision alone.

Some of the key lessons from this research relate to:

- **Getting regeneration started.** The first phase of regeneration is usually the most difficult to deliver. Difficulties include accessing funding for planning, obtaining Compulsory Purchase and site development. It can take many years to finish the first phase of the project and start to obtain a return on the investment. Finding finance to support this initial phase can be particularly difficult and often depends on a substantial upfront investment from a Housing Association or other partner. It also requires time and resources to create partnerships and build trust across stakeholders.
- **Regeneration for people and places.** Housing-led regeneration seeks to improve places and the lives of people. Projects need to be focused on the needs and aspirations of existing residents. Any investment package should reflect the priorities of the local area. In many places, local residents expressed a desire for more diverse tenure options. The demographic and economic make-up of existing residents in these areas means that there will still be a need for affordable rental products as well as ownership options.
- **Regeneration as an investment.** Housing-led regeneration can be a very good investment for both the public and private sector. It can deliver a range of financial benefits as well as social and economic outcomes. Each of the case studies developed a different investment package from a range of funders, including private and public sector sources.
- **Understanding context.** Local context is very important to the success of housing-led regeneration. The case studies provide clear evidence of areas where regeneration is necessary because private provision alone is not sufficient to enable housing development. This might relate to low land costs, lack of an existing market or need for specific types of accommodation (e.g. for older people). The case studies provide examples of areas which require both public and private investment to meet a range of different needs. In some places, particularly in London, the relationship between transport investment and regeneration is crucial.



- **Management of regeneration.** With careful management it is possible to ensure that both existing residents and the wider community benefit from housing-led regeneration. In some areas it is possible to deliver additional housing supply through densification, but this needs careful consideration and good management. The resources (financial and skills) required to ensure such standards should not be underestimated.

In summary, national analysis and case studies demonstrate that there is a need for regeneration. Housing-led regeneration can be used to address market failure and deliver new housing supply.

## Recommendations

These lessons lead on to the following recommendations for different groups.

For the **new national advisory group**:

- Should have confidence that regeneration schemes, when managed well and appropriately resourced, bring benefits for a range of stakeholders relative to the costs involved.
- All regeneration projects need to be based on extensive work to understand the needs of existing residents and the local context. For example, proposals for tenure mix should reflect both the aspirations and financial resources of existing residents.
- Grant funding will be required to support most regeneration schemes, particularly to get projects started. Loan funding from government can play a useful role in providing access to finance. If only loan funding is available then it may limit the take up of the new regeneration programmes to high value markets.
- Members of the advisory group have an important role in drawing together experience and knowledge from existing regeneration projects.

For **national government**:

- The new funding is welcome but is not sufficient to deliver the scale of change outlined by the Prime Minister in January 2016. Housing-led regeneration represents a good investment which will deliver economic and social benefits.
- Government can take the lead in ensuring high quality investment decisions are made with appraisal based on Green Book recommendations.
- Regeneration areas may need flexibility in relation to some existing and proposed national policies. For example, it may be necessary to:
  - Consider whether properties from regeneration areas should be excluded from sales of high value council stock.
  - Provide Housing Associations with the ability to exempt stock in regeneration areas from the extension to the Right to Buy.

For **local stakeholders**:

- A range of **other stakeholders** can also work to support delivery of more regeneration projects. They include both local bodies (e.g. devolved deals, Local Enterprise Zones and Local Authorities) and housing providers (e.g. Housing Associations, ALMOs). **These stakeholders should actively consider:**
  - The needs and aspirations of their local communities.
  - Where these needs and aspirations are not being met by private provision alone.

- How their resources and existing assets (such as land) could be used to help address these issues.
- Which partners might be able to help maximise the impact of their contribution.
- And to recognise that successful regeneration often requires a single agency to take the lead with the appropriate level of resources and capabilities. This lead agency would need the support of key stakeholders, particularly the Local Authority.

**For all stakeholders** involved in regeneration:

- Ensure that regeneration is underpinned by sound appraisal and clear objectives are set consistent with HM Treasury guidance.
- This will involve working to agree objectives that balance both national and local priorities.
- Consider whether it is possible to deliver additional housing supply through densification. This approach will be beneficial in some areas but needs careful consideration and good management.

# Introduction and context

## 1.1. Recent announcements

In January 2016, the Prime Minister, David Cameron, announced a new programme to support regeneration in particular locations. He argued that some estates "are actually entrenching poverty in Britain – isolating and entrapping many of our families and communities."<sup>3</sup> This new programme is seeking to transform around 100 estates across England. Existing housing will either be refurbished or demolished and replaced with new stock. A new advisory panel, led by Lord Heseltine, will report to the government before the Autumn Statement in 2016. The programme includes £140 million of funding to meet up-front costs. Further details were released in February 2016 with a call for expressions of interest from potential projects. It was announced that funding would consist of loans which should act "as a springboard for partnership and joint venture arrangements, with the active involvement of communities".<sup>4</sup>

The Prime Minister's speech was supported by publication of a report by Savills called 'Completing London's Streets'. This report was commissioned by the Cabinet Office and investigates the potential benefits of regeneration through increasing density. It focuses on London and argues that:

*"the best way to utilise land in a viable way, achieve maximum efficiency on it and create neighbourhoods that are enduringly popular with residents is not to replace old blocks of flats in poorly functioning open space with new ones of similar type, but rather to create new streets of terraced housing and mid-rise mansion blocks with the occasional retention and re-use/refurbishment of old blocks where appropriate."*<sup>5</sup>

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<sup>3</sup> Cameron, D. (2016) Estate regeneration: article by David Cameron, <https://www.gov.uk/government/speeches/estate-regeneration-article-by-david-cameron>

<sup>4</sup> DCLG (2016) Estate Regeneration: Statement, page 4, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/502813/estates\\_regeneration\\_statement.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/502813/estates_regeneration_statement.pdf)

<sup>5</sup> Savills (2016) Completing London's streets, page 5, <http://pdf.euro.savills.co.uk/uk/residential---other/completing-london-s-streets-080116.pdf>

The approach recommended by this report is described as 'complete streets'. Proposed benefits of this approach include increased housing supply, higher quality accommodation and more sustainable neighbourhoods. It would require a "patient approach to return on capital and the need for longer-term approaches to realising asset value (or income). Housing Associations, investing institutions and other types of private sector investor are capable of taking this type of risk".<sup>6</sup> There are similarities between recent recommendations for 'complete streets' and other proposals for 'city villages'<sup>7</sup> or 'create streets'.<sup>8</sup>

Our consultation with a range of experts found that they welcomed the interest from Government in housing-led regeneration. Most experts saw Government playing a key role to enable local authorities and Housing Associations to get regeneration schemes started. One example would be the role Government could play in working with investors to assemble investment packages at sufficient scale to support a range of local schemes. This recognises that public sector and Housing Association partners will, in many cases, not have the asset bases or reserves to invest at the scale required to support regeneration. This report gives examples of how such an approach might work.

## 1.2. What is regeneration?

Regeneration covers a broad range of public policy. A widely used definition describes regeneration as "a holistic process of reversing economic, social and physical decay in areas where it has reached a stage when market forces alone will not suffice."<sup>9</sup> There are eight broad areas of regeneration activity which have been identified in previous research. These are:

- Worklessness, skills and training
- Enterprise and business development
- Industrial and commercial property
- Infrastructure
- Housing growth and improvement
- Community development
- Environmental improvement
- Neighbourhood renewal.

Throughout this work our focus is on *housing*, both new build but also refurbishment and broader estate renewal. Other forms of regeneration not considered are around *people* (such as training and education programmes) or *business* (such as business start-up initiatives). We also do not consider community development, crime, health or environmental improvements. All are likely to play some part depending on the regeneration required. The case studies demonstrate that it is possible to make

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<sup>6</sup> Savills (2016) Completing London's streets, page 6, <http://pdf.euro.savills.co.uk/uk/residential---other/completing-london-s-streets-080116.pdf>

<sup>7</sup> IPPR (2015) City Villages: More homes, better communities, [http://www.ippr.org/files/publications/pdf/city-villages\\_Mar2015.pdf](http://www.ippr.org/files/publications/pdf/city-villages_Mar2015.pdf)

<sup>8</sup> Morton, A. & Boys Smith, N. (2013) Create Streets, [http://www.policyexchange.org.uk/publications/category/item/create-streets?category\\_id=24](http://www.policyexchange.org.uk/publications/category/item/create-streets?category_id=24)

<sup>9</sup> ODPM (2004) Assessing the Impacts of Spatial Interventions Regeneration, Renewal and Regional Development, 'The 3Rs guidance', [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/191509/Regeneration\\_renewal\\_and\\_regional\\_development.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191509/Regeneration_renewal_and_regional_development.pdf)

progress in all these areas using housing-led regeneration as a catalyst. Several of the case studies are stock transfer organisations who have adopted a wider approach to delivering change through housing-led regeneration.

It is worth noting that housing-led regeneration initiatives have some key features which are different to some other types of interventions. For example:

- Housing is expensive to build or improve. Therefore, large scale capital expenditure is required from the outset. Small, incremental expenditure is unlikely to deliver large-scale change unless it is able to leverage large amounts of additional investment
- Housing takes a relatively long time to improve or build. This necessitates long term committed funding. It is extremely difficult for the private sector to commit to long term investment in low value, high risk neighbourhoods without some form of public support. But without the private sector, housing-led regeneration is likely to be too expensive for the public sector alone. The long time frame also creates difficulty in terms of managing the expectations of stakeholders and local residents.
- Houses are static but housing markets are dynamic. Building or improving housing will need to take a long term view of the current and future needs of residents. The needs and interests of future households will need to be considered. Both housing and labour markets can change rapidly during the course of a regeneration project.
- Capital expenditure has revenue consequences. This may mean providing support to local residents (for instance in the form of temporary accommodation) as well as ongoing estate management.

Our focus is also largely on discretionary expenditure on regeneration programmes. This is not to say that core funding of services such as health or social care will not bring regeneration outcomes. Both interventions and outcomes are likely to be interlinked. For instance, successful estate renewal is likely to involve community involvement and estate management; and an outcome of estate renewal has been found to be improved mental health and well-being.<sup>10</sup>

### 1.3. Reviewing regeneration initiatives

Governments from across the political spectrum have sought to stimulate growth and reduce deprivation in particular areas. In the last thirty years these initiatives have included Urban Development Corporations, Enterprise Zones, Urban Regeneration Companies, New Deal for Communities, Housing Market Renewal and Single Regeneration Budgets. There has also been considerable work to assess the effectiveness of different approaches to regeneration. These include:

- **The benefits of regeneration.** In 2010, our review for the Department of Communities and Local Government sought to "place a value on most of the benefits that are identified to arise from regeneration initiatives funded by HM Government".<sup>11</sup> The analysis provided a cautious valuation of the overall benefit from all regeneration initiatives. These benefits were likely to be 2.3 times greater than the cost. For some regeneration activities this was likely to be much

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<sup>10</sup> Barry, E. et al. (2010), The New for Communities experience: A final assessment. New Deal for Communities Final Evaluation - Volume 7, <http://extra.shu.ac.uk/ndc/downloads/general/A%20final%20assessment.pdf>

<sup>11</sup> DCLG (2010) Valuing the Benefits of Regeneration, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6382/1795633.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6382/1795633.pdf)

higher. Acquisition, demolition and new build housing was likely to achieve a financial benefit which was 5.5 time greater than the cost.

- **Regeneration and poverty.** A recent review found that regeneration has had mixed results in addressing poverty. Regeneration has been most effective "in tackling the place-based elements of 'non-material poverty', particularly in terms of housing, community safety and the physical environment."<sup>12</sup>
- **Promoting economic growth in specific areas.** A systematic review has sought to assess the impact of economic area based initiatives. These are "programmes that aim to improve economic growth in a specific, well defined, local area or set of areas".<sup>13</sup> It suggests that Area Based Initiatives work better when the objectives are clearly defined but there is still insufficient evidence "to say with confidence that they are providing good value for money."<sup>14</sup>

The previous Coalition government introduced a localist approach to regeneration. This approach argued that:

*"regeneration is about concerted action to address the challenges and problems faced by the community of a particular place. It's about widening opportunities, growing the local economy, and improving people's lives. But beyond that high-level definition, it is not for Government to define what regeneration is, what it should look like, or what measures should be used to drive it. That will depend on the place – the local characteristics, challenges and opportunities".<sup>15</sup>*

A number of changes were introduced to support a localist approach to regeneration. These included the introduction of:

- **Community Rights.** A package of different measures have been introduced which are designed to give communities more power over their local area. They include the right to acquire community assets or have more control over planning policy.<sup>16</sup>
- **Local Enterprise Partnerships.** These local bodies are designed to provide strategic leadership to support investment.<sup>17</sup>
- **Enterprise Zones and Housing Zones.** The government has supported the creation of Enterprise Zones. These are "geographically defined areas, hosted by Local Enterprise Partnerships in which commercial and industrial businesses can receive incentives to set up or expand".<sup>18</sup> Housing Zones are receiving funding to support development on brownfield land.<sup>19</sup>

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<sup>12</sup> Crisp, R. et al (2014) Regeneration and Poverty: Evidence and policy review, page 2,

<https://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/jrf-regeneration-poverty-final-report.pdf>

<sup>13</sup> What Works Centre for Local Economic Growth (2016) Evidence Review 10: Area Based Initiatives, p1,

[http://www.whatworksgrowth.org/public/files/Policy\\_Reviews/16-01-04-Area-Based-Initiative-Summary.pdf](http://www.whatworksgrowth.org/public/files/Policy_Reviews/16-01-04-Area-Based-Initiative-Summary.pdf)

<sup>14</sup> What Works Centre for Local Economic Growth (2016) Evidence Review 10: Area Based Initiatives, p4,

[http://www.whatworksgrowth.org/public/files/Policy\\_Reviews/16-01-04-Area-Based-Initiative-Summary.pdf](http://www.whatworksgrowth.org/public/files/Policy_Reviews/16-01-04-Area-Based-Initiative-Summary.pdf)

<sup>15</sup> DCLG (2012) Regeneration to enable growth: A toolkit supporting community-led regeneration, London: CLG, p. 4, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/5983/2064899.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5983/2064899.pdf)

<sup>16</sup> See <http://locality.org.uk/projects/community-rights/> for more details.

<sup>17</sup> House of Commons Library (2015) LEPS,

<http://researchbriefings.files.parliament.uk/documents/SN05651/SN05651.pdf>

<sup>18</sup> House of Commons Library (2015) Enterprise Zones, p.1,

<http://researchbriefings.files.parliament.uk/documents/SN05942/SN05942.pdf>

<sup>19</sup> DCLG (2016) Tens of thousands of homes supported by Housing Zone funding,

<https://www.gov.uk/government/news/tens-of-thousands-of-homes-supported-by-housing-zone-funding>

- **City Deals.** These are agreements between central government and local authorities that "packages of budgets and decision-making power"<sup>20</sup> will be devolved to individual local authorities or groups of authorities. In some areas these deals include powers over housing policy, funding or assets. This has seen the devolution in areas such Manchester, Cornwall and the Sheffield city region.

Taken together, this localist approach sought to devolve funding and responsibilities to local bodies in order to stimulate private sector-led growth. There was very little national funding for regeneration during the Coalition government.<sup>21</sup>

There have been a number of questions and concerns about a localist approach to regeneration. These include:

- **Strategy.** A Communities and Local Government Select Committee report in 2011 criticised the approach for focusing "overwhelmingly on the pursuit of economic growth". It suggested that the strategy was insufficient to tackle the scale of the problems and that the "measures will not attract sufficient investment for renewal into those communities where the market has failed".<sup>22</sup>
- **Resources.** There are concerns that the new approach is not supported by sufficient resources. For example, capital expenditure by the Department for Communities and Local Government declined by 54 per cent between 2009/10 and 2014/15.<sup>23</sup> It has been argued that "community-led initiatives only provide a framework for residents and organisations to take the lead in developing local assets and services without the funding, staffing or supporting infrastructure attached to past neighbourhood renewal programmes".<sup>24</sup> The only funding specifically allocated for regeneration during the Coalition Government was the Estate Regeneration Programme launched in 2014.<sup>25</sup> This provided £150 million in loan funding which was allocated to programmes in London. There were concerns that this approach was not financially viable outside of the capital.<sup>26</sup> At the same time Local Authority funding was cut by one-fifth during the Coalition Government.<sup>27</sup> Analysis suggests that this reduction had a particular impact on the most deprived areas. It is likely to have reduced Local Authority capacity to support regeneration.
- **Gentrification.** There were concerns that the focus on economic growth would shift low income households to other areas and lead to gentrification. This is supported by evidence which suggests that attempts to "disperse concentrations

<sup>20</sup> House of Commons Library (2015) Community Budgets and City Deals, p.17, <http://researchbriefings.files.parliament.uk/documents/SN05955/SN05955.pdf>

<sup>21</sup> See section 2.3 for details.

<sup>22</sup> Betts, C. (2011) Communities and Local Government Committee publishes report on regeneration strategy, <http://www.parliament.uk/business/committees/committees-a-z/commons-select/communities-and-local-government-committee/news/regen-report-publication/>

<sup>23</sup> Tunstall, R. (2015) The Coalition's Record on Housing: Policy, Spending and Outcomes 2010-2015, p.27, <http://sticerd.lse.ac.uk/dps/case/spcc/WP18.pdf>

<sup>24</sup> Crisp, R., Pearson, S. & Gore, T. (2015) Rethinking the impact of regeneration on poverty: A (partial) defence of a 'failed' policy, Journal of Poverty and Social Justice, p.3. <http://dx.doi.org/10.1332/175982715X14443317211905>

<sup>25</sup> DCLG (2014) Estate Regeneration Programme, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/320196/140613\\_Estate\\_Regeneration\\_Prospectus.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/320196/140613_Estate_Regeneration_Prospectus.pdf)

<sup>26</sup> Barnes, S. (2016) Viability concerns over Osborne's £2.3bn regen plan, <http://www.insidehousing.co.uk/business/development/viability-concerns-over-osbornes-23bn-regen-plan/7013316.article>

<sup>27</sup> Innes, D. & Tetlow, G. (2015) Poorest areas see the largest cuts to local government spending, <http://www.publicsectorexecutive.com/Comment/poorest-areas-see-the-largest-cuts-to-local-government-spending-a-trend-that-looks-set-to-continue/103484>

of poverty through creating more 'mixed areas' has sometimes lead to gentrification that displaces marginal populations".<sup>28</sup>

- **Interaction with other policy changes.** The localist approach to regeneration has coincided with a wide range of other changes to housing and welfare policy. These include changes to Housing Benefit, such as the under occupation charge, as well as changes to Council Tax Benefit and Disability Living Allowance. There was significant geographic variation in the combined impact of these changes. In general, households in more deprived local authorities were more severely affected.<sup>29</sup>
- **Housing Association balance sheets.** Welfare Reforms, particularly around Housing Benefit, will have a detrimental effect on the financial position of most Housing Associations. In the medium term this is likely to reduce thereserves that are available to invest in development programmes. This may constrain the ability of some Housing Associations to facilitate regeneration.

#### 1.4. Current situation for regeneration

The localist approach to regeneration was in place from 2010 to 2015. The impact of this approach is starting to emerge. For example:

- The Local Government Association has investigated some of the ways that local authorities are supporting housing investment in the current climate.<sup>30</sup> A range of models are being used by local authorities including partnerships with Housing Associations and different types of joint venture with private sector partners.
- The Chartered Institute of Housing and Poplar HARCA have argued that a renewed national focus on regeneration would help the government to achieve its wider objectives.<sup>31</sup> These include increasing housing supply and addressing regional imbalances in the economy.

The Conservative government have sought to devolve a range of powers over housing, infrastructure and economic growth to a local level. These have taken different forms and names including Growth Deals and City Deals. This 'DevoMet' approach is also linked to aspirations to develop a 'Northern Powerhouse'.<sup>32</sup> For example, the Greater Manchester Combined Authority is being given increased responsibility for planning and housing funding. It has used the new powers to create a Housing and Regeneration Investment Fund which includes revolving loans. Other initiatives include the Mayor of London's Housing Zones which are designed to

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<sup>28</sup> Crisp, R., Pearson, S. & Gore, T. (2015) Rethinking the impact of regeneration on poverty: A (partial) defence of a 'failed' policy, *Journal of Poverty and Social Justice*, p.3.  
<http://dx.doi.org/10.1332/175982715X14443317211905>

<sup>29</sup> Beatty, C. & Fothergill, S. (2013) Hitting the poorest hardest,  
[https://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest\\_0.pdf](https://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/hitting-poorest-places-hardest_0.pdf)

<sup>30</sup> LGA (2015) Supporting Housing Investment: A Case Study Guide,  
[http://www.local.gov.uk/documents/10180/5854661/L14-74\\_09.pdf/7ead0af5-3c45-43ef-af58-7b41930963d6](http://www.local.gov.uk/documents/10180/5854661/L14-74_09.pdf/7ead0af5-3c45-43ef-af58-7b41930963d6)

<sup>31</sup> CIH & Poplar HARCA (2015) Regeneration revival interim report,  
[http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Regeneration%20intial%20report%20\[si ngle\]%2019.6.15.pdf](http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Regeneration%20intial%20report%20[si ngle]%2019.6.15.pdf)

<sup>32</sup> Osborne, G (2015) Building a Northern Powerhouse, <https://www.gov.uk/government/speeches/chancellor-on-building-a-northern-powerhouse>



"accelerate" housing growth.<sup>33</sup> The Government is also seeking to use Housing Zones across England to deliver new housing on brownfield land.<sup>34</sup>

The development of a national advisory panel provides the opportunity to review the current situation for regeneration. In the rest of the report we will seek to provide an evidence base to support the work of the new national advisory panel. We respond to the following questions:

- What are the potential benefits of housing-led regeneration in the current context?
- What types of housing-led regeneration projects are currently occurring?
- What lessons can be learned from current housing-led regeneration projects and the barriers they face?

The next section reviews the potential benefits of housing-led regeneration in relation to the current context. Section three provides an overview of the case study areas which we have used to investigate the types of regeneration projects which are taking place at the moment. This leads on the lessons from the case studies which are outlined in section four. Wider conclusions and recommendations are highlighted in section five. A more detailed description of the case study areas can be found in section six.

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<sup>33</sup> Mayor of London (2014) Housing Zones: A prospectus, [https://www.london.gov.uk/sites/default/files/2014\\_06\\_13\\_final\\_housing\\_zones\\_prospectus.pdf](https://www.london.gov.uk/sites/default/files/2014_06_13_final_housing_zones_prospectus.pdf)

<sup>34</sup> DCLG (2016) Tens of Thousands of homes supported by Housing Zone funding, <https://www.gov.uk/government/news/tens-of-thousands-of-homes-supported-by-housing-zone-funding>

# Understanding the benefits of regeneration

## 2.1. Issues for understanding the benefits of regeneration

### *Introduction*

The current context for regeneration raises some key issues when considering the support regeneration may need. These include:

- the quantification of the costs of undertaking regeneration activity
- the up-front costs of regeneration and how these may be funded
- the outcomes regeneration activity may deliver
- the investment required from government and the outcomes which would be delivered as a result of this

These issues were covered in our research on this topic in 2010.<sup>35</sup> However, the context for regeneration has changed, partly through public funding cuts to regeneration programmes but also through new sets of policy priorities and the emergence of new funding models. This section will review our understanding of the benefits of regeneration in the current context.

### *Conceptual issues with regeneration*

The evaluation of regeneration has been considered extensively by government. This work is primarily within the Treasury's Green Book<sup>36</sup> but also what is known as the 3Rs Guidance.<sup>37</sup> This is supplemented by evaluation of particular regeneration initiatives. These include programmes such as the New Deal for Communities<sup>38</sup>, Housing Action Trusts and the Single Regeneration Budget.<sup>39</sup>

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<sup>35</sup> DCLG (2010) Valuing the Benefits of Regeneration,

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6382/1795633.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6382/1795633.pdf)

<sup>36</sup> HM Treasury (2013) The Green Book: appraisal and evaluation in central government

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

<sup>37</sup> ODPM (2004) Assessing the Impacts of Spatial Interventions Regeneration, Renewal and Regional Development, 'The 3Rs guidance',

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/191509/Regeneration\\_renewal\\_and\\_regional\\_development.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191509/Regeneration_renewal_and_regional_development.pdf)

<sup>38</sup> DCLG (2010) The New Deal for Communities Experience: A final evaluation,

<http://extra.shu.ac.uk/ndc/downloads/general/A%20final%20assessment.pdf>

<sup>39</sup> Tyler, P. et al. (2009) Value for money issues and the evaluation of the HMR programme,

<http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/housing/pdf/1362861.pdf>

The traditional focus for Government intervention in disadvantaged neighbourhoods has been a combination of market failure and equity issues (such as to rectify degraded environments). Some care needs to be applied in applying market failure. In a disadvantaged neighbourhood there are likely to be many market failures working in concert. This means that government action must be based on more than identification of market failure. Government action must be based on a clear rationale as to what intervention will achieve. It needs to be appropriate and, as far possible, not lead to unintended consequences, such as the crowding out of private investment. This means that government action should seek to correct market failure and represent good value for money, but does need to recognise that areas requiring regeneration may typically face multiple and pernicious market failures (including housing and labour markets). Treasury Green Book guidance suggests that:

“the general rule is that the benefits should be valued unless it is clearly not practical to do so. Even if it is not feasible or practicable to value all of the benefits of a proposal, it is clearly important to value the difference between options”.<sup>40</sup>

For regeneration this is not necessarily straightforward. Regeneration may have a wide range of social, economic and environmental outcomes. Again, this is recognised in the Green Book where the objectives of regeneration are:

“likely to include improvements in one or more of labour supply skills, quality of life, physical environment and local business opportunities”.<sup>41</sup>

Regeneration is by its very nature a spatial activity. As the Green Book recognises

“the geographical focus of regeneration projects means that it is particularly important to assess displacement effects at both the local and national levels, particularly if the programme or project is substantial”.<sup>42</sup>

A recent study for the Department for Transport considered the role transport may play in regeneration and how this type of project should be appraised. It considered the problem of coordination failure in regeneration, noting that:

"Coordination failure ... can also occur in the context of regeneration of a run-down area. Here, a low quality building stock and low level of economic activity create a trap in which no individual is willing to invest in improvement because of uncertainty as to whether their neighbour will act similarly".<sup>43</sup>

Public investment may "provide the way out of the trap as private investors have raised expectations about prospects for the district and about actions to be taken by other investors".<sup>44</sup> The Department for Transport has also been seeking to understand more about the relationship between investment in transport and possible impacts on the regeneration of relatively depressed areas (ibid). A similar process may be at work with housing led regeneration. Announcements of new

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<sup>40</sup>HM Treasury (2013) The Green Book: appraisal and evaluation in central government , p.21, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

<sup>41</sup>HM Treasury (2013) The Green Book: appraisal and evaluation in central government , p.55, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

<sup>42</sup>HM Treasury (2013) The Green Book: appraisal and evaluation in central government , p.55, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

<sup>43</sup> Venables, A., Laird, J. & Overman, H. (2014) Transport investment and economic performance: Implications for project appraisal, p.49,

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/386126/TIEP\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/386126/TIEP_Report.pdf)

<sup>44</sup> Ibid

investments may also have speculation effects, whereby investors (small and large) anticipate a future uplift in housing values.

### ***Measurement Issues with Regeneration***

In our previous work we have outlined a series of measurement issues with valuing the benefits of regeneration.<sup>45</sup> These relate to ex ante issues in form of appraisal or ex post issues relating to form of summative evaluation. Potential issues include:

- **Regeneration process vs. regeneration product.** Our main focus and that of the Treasury is with the outcomes of regeneration in the form of 'regeneration product'. This is not to deny that there may be process benefits such as improved partnership working and community involvement.
- **Defining the pathways.** Current thinking of evaluation is that regeneration should be appraised and evaluated using a logical pathway (sometimes called logic model) which considers inputs, activities, outputs, outcomes and impact. There are important definitional issues here. A narrow **cost-benefit approach** may consider the cost for each outcome achieved. For instance a public sector cost per job or cost per new dwelling. A truer reflection of the benefits of regeneration is to consider the wider benefits to society of regeneration and to place a value on these societal benefits in the form of a **benefit-cost ratio**. The benefits from regeneration may include direct impacts such as net additional new jobs but also indirect benefits such as improvements to quality of life of residents.
- **Boundaries of Regeneration and Economic Jurisdiction.** This is a critical issue: draw the boundaries too narrowly and spill-over benefits or displacement may not be considered; draw the benefits too broadly then the appropriate scale of benefits may be missed. A typical response to this problem is to measure the net additional benefits of regeneration at different spatial scales, such as the immediate neighbourhood, a Local Authority and nationally.
- **Additionality.** The appraisal and evaluation of any regeneration project should be undertaken with regard to a reference case, which is what would have happened without the intervention. Typically consideration needs to be made for deadweight (would housing investment have occurred anyway), displacement (do housing improvements benefit existing residents), crowding out (does public funding crowd out private funding), income-multipliers (to what extent any uplift in incomes benefits the local economy) and supply-chain effects (local suppliers are used to deliver the regeneration work).
- **Distributional impacts.** Any public programme is likely to have differing effects across an income distribution. Narrowly, this may be because people in particular income groups receive more benefits due to the targeting of a programme. More broadly, a low income group may value the benefits of a programme more highly. In this case it is appropriate to weight such benefits more highly for the lower income group (in line with Green Book guidance).
- **Duration, durability and time.** There are now well established techniques and timescales for consideration of the tenure of different benefits. These are set out in the Treasury Green Book. Typically, the timeline of benefits from physical capital investment, including housing, should be longer.

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<sup>45</sup> DCLG (2010) Valuing the Benefits of Regeneration, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6382/1795633.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6382/1795633.pdf)

## ***Valuation issues and other considerations***

There are two main issues with valuing the benefits of regeneration. The first lies with the focus either on a narrow set of exchequer benefits (i.e. are more taxes paid or do welfare costs reduce) and a broader set of societal benefits. The norm in valuation is to focus on the latter real resource benefits. The second issue is how valuation is conducted. The simplest way is to find a market based measure, such as wages or house prices. However, in some cases it is appropriate to use what are called non-market techniques such as shadow pricing, contingent valuation and revealed preference techniques. What is being considered here is essentially the value people ascribe to a benefit, such as an improvement in the environment or in living conditions.

A key premise of approaches to evaluation in the past has been around the merits or otherwise of partnership. The argument in support of partnership is that it can increase the resources available for a regeneration project and to lever in private sector funding. Such partnership working may help cluster activities to provide better control in the delivery or regeneration but also greater likelihood that regeneration leads to a greater sense of place. Similarly partnership may prevent duplication of effort. These issues were considered extensively in the evaluation of the SRB and NDC programmes.<sup>46</sup>

## **2.2. Defining Logic Chains for housing growth and improvement**

### ***Logic Chains***

In order to measure the impact of a regeneration initiative it is necessary to understand how activity leads to change. This can be described as a 'theory of change' or logic chain and outlines "the specific ways in which regeneration investment brings about change for the people or places concerned".<sup>47</sup>

Logic chains have five key elements which are:

- **Inputs:** the financial and other resources spent on regeneration activities.
- **Activities:** measures of what regeneration projects or programmes 'buy' using their inputs, for example training places, businesses assisted, hectares of land reclaimed. Activity measures will vary across different Activity Types.
- **Outputs:** measures of the benefits that specific projects or programmes deliver for target beneficiaries (individuals and businesses) and areas. Examples include the numbers of new houses built to a particular standard.
- **Outcomes:** measures of social, economic and environmental characteristics of areas or groups of people. Regeneration activity seeks to change these outcomes for the better. The extent to which outcomes can be valued is a key concern of this study.
- **Impact:** Is the outcome a change which can be attributed to the intervention?

These different elements are drawn together in a logic chain.

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<sup>46</sup> Rhodes, J., Tyler, P. and Brennan, A. (2007), The Single Regeneration Budget: Final Evaluation. [www.landecon.cam.ac.uk/pdf-files/cv/pete-tyler/SRB\\_RESEARCHSUMMARY\\_2007.pdf](http://www.landecon.cam.ac.uk/pdf-files/cv/pete-tyler/SRB_RESEARCHSUMMARY_2007.pdf). Batty, E. et al (2010) The Deal for Communities Experience: A Final Assessment. <http://extra.shu.ac.uk/ndc/downloads/general/A%20final%20assessment.pdf>

<sup>47</sup> DCLG (2010) Valuing the Benefits of Regeneration, p.31, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6382/1795633.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6382/1795633.pdf)

Appendix 1 of the report sets out example logic chains. These are for four broad sets of housing regeneration activities: new build; improvement of existing stock; demolition and new build; and reducing homelessness. They have been up-dated from our 2010 study to account for two main changes; new policy requirements and data availability; and that locally set outcome measures may be set.

### ***Do changes in regeneration call for new approaches to valuation?***

A question posed in this study is whether there has been a shift in the model of regeneration in England. If a change has occurred then there may need to be a change in the way that regeneration projects are appraised and evaluated. As a consequence, this may change the benefits of regeneration and the case for public investment. Three issues need to be highlighted. These relate to:

- **Inputs.** It could be argued that new types of inputs should be treated and measured differently.
  - Traditionally, the focus has been on the measurement of additional public finance to a regeneration project. Thus, resources from a state programme would be included but the use of a Local Authority's core funding would not. Today there is greater interest in the role of both some public grant funding but also in the role of publicly backed equity, subsidised or underwritten loans and potentially the use of bonds.
  - The basic framework for considering all costs is set out in the Green Book. Some issues have been further clarified and assessed in National Audit Office reports. These include, for instance assessment of Equity investment in privately financed projects,<sup>48</sup> the Review of the VFM assessment process for PFI<sup>49</sup> and the Disposal of public land for new homes.<sup>50</sup>
  - A common principle with appraisal is that additional costs to the exchequer are considered. These may include interest payments or dividends which are the price of securing additional capital investment. The Treasury would normally use the discount rate of 3.5 per cent to value the time value of costs and benefits being incurred. The NAO has raised a concern here in that any reference case should also incorporate two further considerations.<sup>51</sup> Firstly, that it is appropriate to use a market measure of the cost of finance (a commercial interest rate over base rate) and secondly that any cost of finance is appropriate. The issue here is that returns on a PFI or government backed programme are very secure in contrast to a commercial scheme. A lower interest rate (the cost of capital) should therefore be applied.
  - In summary, there are no reasons why the appraisal of regeneration needs to change. Appraisal does need to consider new loan and equity based approaches but the methodologies for this are largely covered in the Green Book. However, it is recommended that some care be shown in the choice of appropriate reference cases and with the assessment of the value for money of interest charges.

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<sup>48</sup> NAO (2012), Equity investment in privately financed projects. [www.nao.org.uk/wp-content/uploads/2012/02/10121792es.pdf](http://www.nao.org.uk/wp-content/uploads/2012/02/10121792es.pdf)

<sup>49</sup> NAO (2013) Review of the VFM Assessment Process for PFI. [www.nao.org.uk/wp-content/uploads/2014/01/Review-of-VFM-assessment-process-for-PFI1.pdf](http://www.nao.org.uk/wp-content/uploads/2014/01/Review-of-VFM-assessment-process-for-PFI1.pdf)

<sup>50</sup> NAO (2015) Disposal of public land for new homes. [www.nao.org.uk/wp-content/uploads/2015/06/Disposal-of-public-land-for-new-homes.pdf](http://www.nao.org.uk/wp-content/uploads/2015/06/Disposal-of-public-land-for-new-homes.pdf)

<sup>51</sup> NAO (2013) Review of the VFM Assessment Process for PFI. [www.nao.org.uk/wp-content/uploads/2014/01/Review-of-VFM-assessment-process-for-PFI1.pdf](http://www.nao.org.uk/wp-content/uploads/2014/01/Review-of-VFM-assessment-process-for-PFI1.pdf)

- **Outcomes and Impact.** Appendix 1 of this report sets out the logic models which can be applied to housing-based regeneration.
  - These have been updated from our study in 2010. An example is that new housing should meet the Code for Sustainable Homes standards. As government no longer supports the Code there is a need to use other measures, including Building Regulations.
  - However, the focus for our prior study was at a national level and the identification of outcome measures which are commonly accepted. With a model of regeneration now based more on local priority and need it follows that a balance of local and national measures are used. The benefit of the latter is that they relate to data which are collected nationally to common measures.
- **Geography and local agendas.** The issue here is around defining a common set of outcome measures which is appropriate to the regeneration scheme. An example would be whether densification is seen as beneficial or detrimental. As the case research shows, regeneration schemes in some areas may lead to higher unit density and this will lead to more coherent and sustainable developments. In contrast increasing unit densities in other areas may cause over-crowding and a reduction in quality of life and wellbeing. There is a case for a basket of outcome measures to be used which are appropriate but which draw on nationally available measures where possible.

### 2.3. Updating the Evidence Base

Our research in 2010 provided a detailed analysis of the likely benefits of regeneration. This included the calculation of Benefit Cost Ratios (BCR) in three areas of housing activity (see Appendix 2 for more detail). The BCRs were based on a range of national funding sources relating to regeneration. Findings suggested that:

- New build housing activity had a Benefit Cost Ratio of 1.7
- Improvements to existing housing stock had a Benefit Cost Ratio of 1.3
- Acquisition, demolition and new build housing had a Benefit Cost Ratio of 3.7

Changes since 2010 have altered the assumptions underlying these BCRs in important ways. These relate to:

- Fall in national funding with no dedicated Regeneration Programmes. The localist approach to regeneration adopted by the Coalition government led to the end of national programmes for regeneration. Some localised regeneration funding for particular types of areas such as former coalfields and coastal areas has continued.<sup>52</sup> In 2014, additional funding for estate renewal was announced but has only been taken up in London.<sup>53</sup> Without dedicated national funding it is very difficult to define what national funding relates to regeneration.
- Defining regeneration. This leads on to a second issue regarding definitions of regeneration. Without a national programme there is no agreed definition of activity which might termed 'regeneration'. Local definitions of regeneration and

<sup>52</sup> For example, funding delivered through the Coastal Communities Fund and Coalfields Regeneration Trust

<sup>53</sup> Barnes, S. (2016) Viability concerns over Osborne's £2.3bn regen plan,

<http://www.insidehousing.co.uk/business/development/viability-concerns-over-osbornes-23bn-regen-plan/7013316.article>

the outcomes from regeneration are not consistent which makes analysis at a national level difficult.

- Public and private investment. Regeneration is increasingly dependent on creating an investment package from a range of funding sources. These might include public sector land, funding from different public sources (e.g. Local Authorities, HCA, NHS) and different private sources. This creates two problems, firstly, what funding is genuinely additional (i.e. would not have been spent anyway), and secondly, that an increasing range of stakeholders will seek to evidence outcomes in different ways.
- Geography. It is clear that BCRs "will vary by geography. This is because Gross Value Added, earnings and land values vary across England".<sup>54</sup> We have not been able to undertake analysis at this level for this report. Additional analysis would be required to assess this geographic variation.
- Capturing wider benefits. There has been recent work to measure and assess the wider social benefits of housing provision. This includes analysis to evaluate the social impact of particular housing providers.<sup>55</sup>

Taken together, these changes mean that there is no current equivalent to the BCRs undertaken in 2010. The case studies in this report provide some evidence on the benefits and costs of specific projects. More detailed information would be required to provide a full BCR for individual projects. It may be possible to undertake a BCR once of the new national programme for regeneration once it has been developed. These developments in the context for regeneration also mean that it would be worth reviewing the national guidance (e.g. Green Book) to ensure that they fully reflect recent changes.

It is possible to estimate how the BCRs might have altered since 2010, despite the changes in context for regeneration. Grant funding from the HCA through the Affordable Homes Programme has been a key component of many regeneration projects. Comparing the likely BCRs for the 2008/11 and 2011/15 programmes Affordable Homes Programme provides an indication of any changes which may have occurred. Table 1 provides an overview of the changes to the Affordable Homes Programme and the potential impact on BCRs for new build housing. This comparison assumes that the average net additional benefit emerging from each unit was the same for both Programmes.

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<sup>54</sup> DCLG (2010) Valuing the Benefits of Regeneration, p.113,  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6382/1795633.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6382/1795633.pdf)

<sup>55</sup> e.g. Fujiwara, D. (2013) The Social Impact of Housing Providers,  
<http://www.hact.org.uk/sites/default/files/uploads/Archives/2013/02/The%20Social%20Impact%20of%20Housing%20Providers%20report2013.pdf>



**Table 1: Benefit Cost Ratios for New Build Housing through the Affordable Homes Programme (AHP)<sup>56</sup>**

	<b>AHP 2008 to 2011</b>	<b>AHP 2011 to 2015</b>
Overall expenditure	£8,900,000,000	£1,610,000,000
Total number of units	173,900	93,600
Grant per unit	£51,178.84	£17,200.85
Proportion of total cost	41%	23%
Average cost per unit	£124,826	£74,786
Cost per unit 2015 prices	£131,733	£74,786
Benefit Cost Ratio	1.7	3.0

A number of key points emerge from this comparison:

- Both the total grant per unit and proportion of cost declined substantially for the 2011 to 15 programme.
- This reduction in grant rates may lead to an increase in the BCR for new build housing from 1.7 to 3.0.
- However, the average cost per unit was considerably lower in the 2011 to 15 programme. In part this may have been due to efficiencies, however the scale of the reduction suggests that the type of units being delivered by the different programmes may not be directly comparable.
- Table 1 suggests that BCRs are likely to have increased due to the reduction in government grant per unit. The level of grant provided in the Affordable Homes Programme is similar to other sources of government funding (e.g. Get Britain Building).<sup>57</sup>

In summary, the available evidence suggests that the BCRs outlined in the 2010 report are likely to represent a useful indication of the total non-market returns from government investment.

These findings can also be compared with a different analysis conducted by the National Audit Office. They conducted a cost benefit analysis of the Affordable Homes Programme 2011 to 15 which included additional Housing Benefit costs. It provided a central estimate of benefits at £4.4 billion against costs of £2.5 billion. Potential benefits of this type of investment were discussed by the Institute for Fiscal Studies:

*"The government's approach permits (de facto) borrowing through off-balance-sheet PFI contracts, but does not permit borrowing to fund investments that would generate a positive financial return and hence pay for themselves, either*

<sup>56</sup> Data from: HCA (2014) 2011-15 Affordable Rent and Affordable Home Ownership funding by Lead Partner - end of September 2014, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/389850/2011-15\\_AHP\\_offers\\_accepted\\_by\\_HCA\\_-\\_provider\\_summary\\_end\\_of\\_September\\_2014.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389850/2011-15_AHP_offers_accepted_by_HCA_-_provider_summary_end_of_September_2014.xls), Data from Wilcox, S. (2015) UK Housing Review, <http://www.york.ac.uk/res/ukhr/ukhr15/commentaries-pdf/Commentary%20Ch4%202015.pdf>, Frontier Economics (2014) Assessing the social and economic impact of affordable housing investment, <http://www.frontier-economics.com/documents/2014/09/rpt-affordable-housing-report-2.pdf>

<sup>57</sup> This provided initial funding allocation of £420 million for a total of 15,500 shortlisted units. It provides an Indicative average spend per unit of £27,000. See: HCA (2011) Get Britain Building Prospectus, <https://www.gov.uk/government/publications/get-britain-building-round-1-prospectus>

*directly through income from user charges or indirectly through higher tax receipts. Examples of projects that are disadvantaged by this approach include direct public sector investment in housing and transport developments that are not suitable to be built through PFI contracts... A more commercially sustainable approach would enable targeted investments that would generate positive financial returns to the taxpayer.*<sup>58</sup>

In 2010 we looked at three main types of housing led regeneration, new build, refurbishment, and demolition and new build. The growing shortage of housing across the UK, and severe housing shortages in London and the South East, suggests that the priority for regeneration must be on increasing supply. Policy attention has also shifted away from Local Authority social housing (e.g. the end of the Decent Homes programme) and the increasing significance of the private rented sector. As the following sections reveal housing-led regeneration does involve large up front expenditure but it also requires consideration of ongoing maintenance and management costs.<sup>59</sup>

At a national level it appears that housing-led regeneration remains an effective use of government resources which provides significant positive benefits for society. The next section moves on to assess how housing-led regeneration is working in particular places.

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<sup>58</sup> IFS (2016) Green budget, p.167, <http://www.ifs.org.uk/uploads/gb/gb2016/gb2016.pdf>

<sup>59</sup> Bennington, J. et al (2011) *Assessment of the Decent Homes Programme: Final Report* .London: DCLG.

# Case studies

## 3.1. Introduction

The development of devolved approaches to regeneration has increased the importance of understanding the different types of regeneration which are taking place across England.<sup>60</sup> This means that there is a need to assess how housing-led regeneration is working in different contexts. We have adopted a case study approach which assesses regeneration in relation to "place – the local characteristics, challenges and opportunities".<sup>61</sup> In order to analyse the impact of different places we identified a group of five case studies.

Our choice of case study sites sought to maximise the diversity of different housing markets, investment vehicles and regional variation. The case studies were designed to provide illustrative examples of the types of regeneration projects which have developed since 2010.<sup>62</sup> The key features of the case studies are outlined in Table 2. A summary of each case study follows after the table. The case study analysis was undertaken between October 2015 and January 2016. This analysis consisted of a three stage process:

- Initial scoping of case study sites and selection. The first stage was to create a long list of regeneration projects which matched the criteria for inclusion in the analysis. From this long list the case study sites were selected to provide the widest range of different examples.
- Case study visits and interviews. The second stage of the analysis consisted of visits to the case studies and interviews with project partners. Interviews focused on understanding the context of the project and its key aims. This led on to analysis of the inputs, outputs and outcomes from the project. The final area of discussion focused on strengths, weaknesses, barriers and wider lessons.
- Analysis of data. A range of secondary data sources were analysed to triangulate the findings of the interviews and visits. These secondary data sources include quantitative (e.g. finances, area measures, outcomes) and qualitative data (e.g. planning documents, tenant surveys). This data was obtained from the case study sites and publicly available sources.

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<sup>60</sup> The policy context for regeneration varies across Wales, Scotland and Northern Ireland. A summary of these contexts can be found in a recent review of regeneration and poverty: Crisp, R. et al (2014) Regeneration and Poverty: Evidence and policy review, <https://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/jrf-regeneration-poverty-final-report.pdf>

<sup>61</sup> DCLG (2012) Regeneration to enable growth: A toolkit supporting community-led regeneration, London: CLG, p. 4, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/5983/2064899.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5983/2064899.pdf)

<sup>62</sup> Some of the case study areas have been the subject of earlier regeneration programmes, but this analysis has focused on projects which have largely been developed since the election of the Coalition Government in 2010.

**Table 2: Summary of case study findings**

Case Study	Location	Key partners	Key outputs	Investment package
Aberfeldy Estate, Poplar	About one mile East of the City of London	Poplar HARCA, London Borough of Tower Hamlets and Prime Place (part of Wilmott Dixon Homes)	The project is developing up to 1,176 residential units to replace 300 existing units. This includes the same amount of affordable housing with additional units for private renting and open market sale. Other development includes new commercial units, a community centre, faith building and health centre. The overall cost of the project is around £250 million.	Joint venture between Poplar HARCA and Prime Place. Homes and Communities Agency (HCA) funding for affordable housing and other investment sources.
Anfield and Rockfield	About two miles outside the city centre of Liverpool in the North West of England	Your Housing Group, Liverpool City Council and Liverpool FC	Since 2009, Your Housing have completed 204 units with an overall investment of £23.4 million. These include 161 new build units (with Keepmoat Developments) and 27 refurbished units. A wider package of measures to improve employment, commercial opportunities, public spaces and Anfield stadium are being delivered by all of the project partners.	HCA funding, investment by partners and a range of other investment sources.
North Prospect	Two miles north of Plymouth city centre in the South West of England	Plymouth Community Homes (PCH) and Plymouth City Council	Phases 1 and 2 have completed over 500 new build units with an investment of £43 million. The refurbishment of 300 properties has cost around £15 million. A community hub, improved recreation facilities and other changes have also been delivered.	PCH internal subsidy, HCA grant funding, open market sales and a package of other investment sources.
Northfield Village	Edge of Stafford town centre in the West Midlands of England	Staffordshire County Council (SCC), Stafford District Council (SDC), Wrekin Housing Trust and others	The overall cost of this project was £26.6 million. It has delivered 80 Extra Care apartments, a specialised dementia care facility, a health centre (with GP surgery and pharmacy), a community hub, eight units of supported housing for people with learning disabilities, 22 units of affordable general needs housing and other facilities.	SCC capital funding, HCA grant funding, Wrekin Housing Trust capital funding, NHS funding, land contributions and other sources.
Sheffield Housing Company	Various sites on the fringes of Sheffield city centre in Yorkshire, England.	Sheffield City Council, Keepmoat and Great Places	SHC have built 259 homes out of a total of 293 for Phase 1. They plan on building approximately 2000 further homes over the course of the next ten years over four phases. When complete, Phase 1 will consist of 170 affordable or social rent properties and 223 for open market sale. The build cost for Phase 1 will be £35 million. SHC has also been involved in a range of wider activities such as support for employment.	Land contributions from Sheffield City Council, equity from Keepmoat and Great Places, HCA funding and other sources.

### **3.2. Aberfeldy Estate, East London Case Study**

- Aberfeldy in Poplar is one of the most deprived areas of London. Its location meant that it was isolated from the economic growth in surrounding areas.
- Poplar HARCA worked with TFL to reduce isolation and improve accessibility by installing two new pedestrian crossings in key areas of the estate. This meant the estate was closer to transport links for existing residents and more attractive to developers.
- Poplar HARCA entered a joint venture with Wilmott Dixon to create Aberfeldy Village. Regeneration of the estate used densification to increase the social and economic sustainability of the area. It created additional accommodation to attract new households to the area whilst retaining the same amount of social housing.
- The project has been successful in attracting new households to the area and improving amenities whilst maintaining high levels of satisfaction amongst tenants. Its location and improved access to transport links have attracted young professionals, particularly through the development of high quality private renting. This development provided funding to support the development of social housing.
- This highlights the types of areas which require regeneration even within a buoyant London housing market. It also demonstrates the difficulty of finding upfront funding for projects in regeneration areas.

### **3.3. Anfield, Liverpool Case Study**

- Your Housing are working with Liverpool City Council and Liverpool FC to regenerate an area adjacent to Anfield stadium.
- Refurbishment of existing housing stock is being supported by new build and a wider programme to regenerate the area.
- The area has been subject to a range of regeneration initiatives but the current, comprehensive approach is designed to create a long term legacy with a more sustainable community.
- The project is nearing completion with evidence that perceptions of the area are changing both from the strong existing community and those moving in.
- Early outcomes show that the project is providing good quality accommodation which acts as a catalyst for wider change in the area. It is also supporting job creation, economic activity and employment.

### **3.4. North Prospect, Plymouth Case Study**

- North Prospect was once a popular area but had fallen into decline with increasingly dilapidated housing stock that did not meet the needs of the community.
- Plymouth Community Homes (PCH) has completed the refurbishment of 300 homes. Over 500 new homes have been built in Phases 1 and 2 of the new build programme. This is creating a range of good quality housing stock including different accommodation and tenure types.
- The programme is being financed through a combination PCH internal subsidy, Homes and Communities Agency (HCA) grant funding, open market sales and a package of other investment sources.

- Densification will increase the local population allowing existing residents to remain in the area but also attracting new households. This is designed to increase the long term social and economic sustainability of the area.
- This project highlights how a housing-based approach can be used to make major improvements to a deprived area. North Prospect is becoming an area where a range of different types of households want to live. They can now access good quality accommodation, services and amenities.

### **3.5. Northfield Village, Stafford Case Study**

- Northfield Village is a mixed use development that brings together a range of accommodation, community and care facilities on one site.
- This development was part of a strategic approach to service transformation across Staffordshire. It was built on the changing needs of the community, particularly an ageing population.
- The location of the site meant that new accommodation and services could be integrated into an existing community.
- The investment package for the scheme combined a wide range of funding types from different sources. These include land, capital and grant from partners including local authorities, Housing Associations, the Homes and Communities Agency and the NHS.
- Combining services in this way has delivered high quality accommodation which supports independent living and provides a better quality of life for residents. Considerable financial savings are starting to be realised in relation to facilities management and care delivery.

### **3.6. Sheffield Housing Company Case Study**

- Regeneration within Sheffield is being delivered through Sheffield Housing Company (SHC), a partnership between the Local Authority, a private developer and a Housing Association.
- The sites are in areas which would not be developed without the SHC approach. Aggregation of viable and non-viable sites is a key component of the model.
- SHC are building homes in areas where no-one else will build whilst also delivering larger, higher quality homes than other private providers.
- This housing-led approach is also acting as a catalyst for wider changes to the areas including job creation, economic activity and improved amenities.

For more details of the case studies please see Section Six.

# Lessons from the case studies

## 4.1. Introduction

Analysis of the case study sites was designed to assess different approaches to regeneration. The case studies highlight the importance of understanding the local context. Housing-led regeneration needs to respond to the local circumstances, particularly the interaction between existing communities, housing stock and labour markets. The context is also important with regards to the approach taken, the types of outcomes which might be achieved and potential barriers to regeneration. Whilst it is clear that each case study is different there are also a number of common themes that emerge from them.

## 4.2. Lessons

Six lessons from the case studies are highlighted below.

- **Limitations of private provision alone.** Regeneration is usually defined as intervention to support change in areas where market forces alone are not effective. The case studies provide clear evidence of areas where regeneration is necessary because private provision alone is not sufficient to enable housing development. There are a range of reasons for this and the case studies highlight areas:
  - Where existing stock is too expensive to refurbish to a reasonable standard but demolition and new build would not be financially viable due to low house prices.
  - Which are close to centres of economic growth or buoyant housing markets but are disconnected from them. Reasons for this disconnection include physical separation, lack of transportation or areas with a poor reputation which discourages investment.
  - With little or no history of private investment. This includes areas where social housing predominates and there is little owner occupation. In this type of area there are perceived to be higher risks for private developers which limits investment.

These are examples of areas which require both public and private investment. Taken together this suggests that there is still a need for regeneration in a range of different types of areas.

- **Housing-led regeneration can deliver significant benefits.** The case studies provide five examples of areas where housing-led regeneration is delivering a wide range of benefits.

- All of these areas are benefitting from a higher quality of housing stock which meets the needs of different groups. In addition, each case study is benefiting from a wide range of other outcomes. The most common are job creation, reduced fuel poverty and better community facilities.
- National evidence suggests that this type of housing-led regeneration provides an excellent return on public investment. Evidence gathered suggests that each of the case studies are likely to achieve this level of return on their public investment. Returns may be much higher as many of the case studies have used relatively small amounts of public funding.
- This approach can be a catalyst for delivering wider change to an area. Housing development can enable a range of changes including improvements to the street scene, green spaces, community facilities and other services such as shops.
- It is also worth considering the alternatives to comprehensive regeneration. One option is the continued decline of areas which are already deprived. This approach is not cost-neutral as it will almost certainly lead to increased expenditure in other parts of the public sector such as health, social care and unemployment support. Another option is limited intervention to halt decline. This approach has been tried in regeneration projects and can lead to a situation where the same areas are in need of additional funding at regular intervals. A more comprehensive approach which enables an area to become more socially and economically sustainable may be the most cost-effective alternative over the medium to long term.
- Regeneration needs to be part of a broader approach. Even the most comprehensive housing-led regeneration projects cannot work alone. They need to be part of a broader programme to support economic development, tackle poverty and deliver high quality public services. The size of most regeneration projects is relatively small in comparison to wider private investment and expenditure on public services (e.g. education, health, social care). However, the costs of regeneration will vary considerably, often directly linked to land costs. The longer term sustainability of regeneration projects will often depend on the success of initiatives to rejuvenate weak economies.
- **Regeneration can work with existing residents and benefit them.** The case studies suggest that careful management can deliver changes which benefit existing residents. Some of the lessons for ensuring that existing residents benefit include:
  - Making certain that the needs and aspirations of all sections of the existing community have been investigated and understood. Plans to regenerate an area should be built on extensive work with existing residents. The needs of existing residents may change over time and programmes need to be flexible enough to respond to these changes.
  - Working with the community throughout the development process and funding the engagement of communities. Lessons from the case studies include the importance of accessible, named contacts in the local area and involvement from senior staff.
  - Densification has been a successful component of this process in some areas. This involves increasing the amount of accommodation within an



area and the quality of the stock.<sup>63</sup> It can be used to create additional housing which allows space for both new and existing residents. The financial viability of schemes also benefits from densification which can be translated into higher quality housing or additional community facilities. However, densification requires careful management to ensure it is successful. This can include the physical design of a project to deliver high quality communal space or lettings policies based on local connection that manage movement into new accommodation. There are other areas where this approach is not possible due to the high density of existing stock or where it would lead to the loss of accommodation for low income households which is needed within the locality.

- **Regeneration is being delivered in a range of different contexts across England.** This suggests that:
  - An enabling, locally based approach can be successful in delivering regeneration.
  - Different types of housing-led approaches can be used to deliver regeneration. These include a focus on refurbishment of existing stock, private sale of new development and provision of accommodation for people with additional needs.
  - A range of different funding, both public and private, can be combined to create an investment package which is financially viable. Government can play a role in supporting the creation of an investment package which supports different scales of regeneration in and across different localities.
- **There appears to be a strong appetite to undertake more of this kind of activity.** All of the case studies highlighted opportunities to expand or develop their work in some way. However, they also highlighted a range of barriers or constraints which are likely to inhibit additional development. Addressing these barriers could lead to increased housing supply. It would also deliver all of the additional benefits associated with these projects. Some of the most important barriers are:
  - Access to land. The ability to acquire and assemble land is crucial. Even where land is largely owned by public sector organisations (e.g. local authorities, NHS, Ministry of Defence) or Housing Associations there can be issues around purchasing property from leaseholders. In some of the case study areas there were particular issues around compulsory purchases of properties. These purchases require careful management and can occasionally require legal resolution. Further work is required to understand the context in which CPOs work most effectively and whether any further policy changes may be required.
  - Financial viability during the first phase. In all of the case study areas there was a substantial financial outlay during the initial phase of the project. Costs varied across different sites but included community engagement, land assembly, obtaining planning permission, procurement and setting up partnerships. It can take many years to finish the first phase of the project and start to obtain a return on the investment. Finding finance to support this initial phase can be particularly difficult and often depends on a substantial upfront investment from a Housing Association or other partner.

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<sup>63</sup> See page 27 of the report by Savills for a discussion of densification or intensification: Savills (2016) Completing London's streets, <http://pdf.euro.savills.co.uk/uk/residential--other/completing-london-s-streets-080116.pdf>

- Creating an investment package. All of the case studies brought together a wide range of different funding sources to enable their projects to be financially viable. They tended to include a combination of land contributions, commercial loans, grant funding and equity. These contributions came from different types of stakeholders such as Housing Associations, local authorities and house builders. All of the case studies received some form of HCA grant funding and this was an important component of the investment package.
- Capacity and skills. Successful regeneration projects require a mix of different skills and expertise. These range from creating complex investment packages to intensive work with local communities. Projects need to be able to draw these different skills together into a coherent and deliverable plan to deliver housing-led regeneration.
- **Housing Associations and other housing providers can play a pivotal role in regeneration.** The case studies suggest that Housing Associations often play a crucial role in regeneration projects. Their skills, expertise and resources enable them to lead projects or act as key partners. Housing Associations, Arms Length Management Organisations (ALMOs) and other housing providers are well placed to be involved in regeneration. They should be able to understand the diverse needs of existing residents, public sector partners, house builders and financial investors. This breadth of experience means that they can provide a conduit to bring together different stakeholders and an investment package. Many Housing Associations also have a long term interest in the financial and social sustainability of the areas in which they are working. They can often play a key role in being 'first movers' into areas which are perceived to be difficult.

Overall, these lessons suggest that there is an opportunity and an appetite to deliver more housing-led regeneration. In order to deliver this additional regeneration we need to lower the barriers and risks which are associated with starting these types of schemes. In the next section we consider the wider lessons from the case studies for the current policy context.

# Conclusions and recommendations

## 5.1. Conclusions

The development of a national advisory panel provides the opportunity to review the current situation for regeneration. They have the chance to assess the localist approach pursued under the Coalition Government and the proposals outlined by the Conservative Government. This report has sought to investigate three key questions for the new national advisory panel.

- What are the potential benefits of housing-led regeneration in the current context?
- What types of housing-led regeneration projects are currently occurring?
- What lessons can be learned from current housing-led regeneration projects?

The national analysis and case studies show that there is still a need for regeneration.

**Increasing the number of housing-led regeneration projects would have a range of benefits.** It would provide a means to increase housing supply and deliver a range of wider benefits (e.g. increased employment, greater energy efficiency, better community facilities). Regeneration projects can be a good investment for a range of public and private sector investors. The wider benefits are likely to be maximised by delivering regeneration through partnerships of different stakeholders. Our case studies highlight partnerships between the public sector, Housing Associations and private providers. These partnerships are able to achieve higher standards of accommodation and deliver a wider range of outcomes than private provision alone. Housing Associations can play a pivotal role in building these partnerships and acting as a bridge between private and public sector partners.

The **case studies highlight current regeneration projects** in a range of different locations around England. They demonstrate the need for regeneration in many different parts of the country, not just in London. Current market provision is failing to meet a range of issues in different localities. These areas are not limited to areas where social housing predominates. In some areas there is an issue with the poor quality of housing stock. Other areas need a wider range of types of housing to suit the needs of all sections of the community. A shortage of accommodation to meet specialist needs and respond to an ageing population is a particular issue in many locations. Different types of regeneration projects will be required to meet the diverse needs of areas.

Another concern from the case study analysis was the limited number of projects which are being developed at the moment. There appears to be an appetite for more housing-led regeneration. However, the case studies highlight considerable barriers to this kind of approach. The successes of the case studies and the barriers which they face provide important lessons for the new advisory panel led by Lord Heseltine.

## 5.2. Lessons for the National Advisory Panel

- **Focus on the needs of the local community:**
  - Successful regeneration needs to be based on understanding the needs and aspirations of existing residents. This understanding can be used to create a clear vision to guide the regeneration. It needs to be matched by a long-term commitment to deliver change.
  - A clear vision and long term commitment can ensure the project is able to adapt to the range of changes which are likely to occur during a long-term project, such as housing market cycles.
  - Careful management is required to ensure that existing residents and the wider community benefit.
  - Successful regeneration depends on delivering both social and economic sustainability.
- **Adapt to the local context:**
  - There is a need and appetite for regeneration in a wide range of other locations across England.
  - Densification can be a useful tool in some areas, both in London and other localities. It can provide a tool to increase housing stock and improve the quality of accommodation on offer. However, this approach needs careful consideration and good management if it is to deliver benefits to both existing and new residents.
  - Market provision with no grant support may be possible in some areas, particularly where housing markets are buoyant. The approach will not work in some housing markets as low house prices will not cover the cost of demolishing and replacing existing stock, even if all of the new properties are sold on the open market. Support and direction from local authorities will be crucial, even in areas where market provision leads development.
  - The approach to regeneration will need to vary depending on the existing stock and housing market. National regeneration programmes need to be flexible enough to ensure that they can deliver change across a range of different types of areas.
- **Develop an investment package which meets local needs and market conditions:**
  - The needs of existing residents and the local context (e.g. housing stock, labour markets) should determine the type of investment package required in a particular area.
  - This investment package will almost certainly need to combine public and private sector funding in order to be financially viable. Access to land is likely to be the crucial component of any investment package.
  - Successful partnerships need to incorporate stakeholders with a range of different skills and resources. These are likely to include local authorities with their responsibilities for a broad range of services. Private developers are likely to be able to leverage funding and provide different skills, for

instance relating to selling homes. Housing providers (e.g. Housing Associations, ALMOs) can provide experience of place making, working with the community and accessing different sources of finance. Partnerships need to balance the needs of different stakeholders. This is not always straightforward and can be both time consuming and costly to develop.

- The first phase of funding and site development is almost always the most difficult.
- It is the phase of the project when public support is most likely to be required. This means that government support in relation to upfront funding is welcome. In practice, the types of difficulties faced by different projects will vary. Therefore, there is a need to ensure that the conditions for regeneration funding are flexible enough to meet the diverse needs of different communities. For example, the costs of refurbishment for specific properties are likely to be high if they are in a particularly poor condition. Dealing with these problem properties can make a major contribution to wider improvements of an area and make the extra investment worthwhile.
- **Other types of support could reduce the barriers.** Reducing the barriers to and risks associated with this type of project would increase the amount of regeneration activity. The case studies demonstrate that regeneration projects face a range of barriers. Other types of support to reduce these barriers would include community development, local flexibility on some national policies and peer learning.

In the next section, some specific recommendations are proposed which would reduce these barriers and support a range of different regeneration projects.

### 5.3. Recommendations

These lessons lead on to the following recommendations for different groups.

For the **new national advisory group**:

- Should have confidence that regeneration schemes, when managed well and appropriately resourced, bring benefits for a range of stakeholders relative to the costs involved.
- All regeneration projects need to be based on extensive work to understand the needs of existing residents and the local context. For example, proposals for tenure mix should reflect both the aspirations and financial resources of existing residents.
- Grant funding will be required to support most regeneration schemes, particularly to get projects started. Loan funding from government can play a useful role in providing access to finance. If only loan funding is available then it may limit the take-up of the new regeneration programmes to high value markets.
- Members of the advisory group have an important role in drawing together experience and knowledge from existing regeneration projects.

For **national government**:

- The new funding is welcome but is not sufficient to deliver the scale of change outlined by the Prime Minister in January 2016. Housing-led regeneration represents a good investment which will deliver economic and social benefits.

- Government can take the lead in ensuring high quality investment decisions are made with appraisal based on Green Book recommendations.
- Regeneration areas may need flexibility in relation to some existing and proposed national policies. For example, it may be necessary to:
  - Consider whether properties from regeneration areas should be excluded from sales of high value council stock.
  - Provide Housing Associations with the ability to exempt stock in regeneration areas from the extension to the Right to Buy.

**For local stakeholders:**

- A range of **other stakeholders** can also work to support delivery of more regeneration projects. They include both local bodies (e.g. devolved deals, Local Enterprise Zones and Local Authorities) and housing providers (e.g. Housing Associations, ALMOs). **These stakeholders should actively consider:**
  - The needs and aspirations of their local communities.
  - Where these needs and aspirations are not being met by private provision alone.
  - How their resources and existing assets (such as land) could be used to help address these issues.
  - Which partners might be able to help maximise the impact of their contribution.
  - And to recognise that successful regeneration often requires a single agency to take the lead with the appropriate level of resources and capabilities. This lead agency would need the support of key stakeholders, particularly the Local Authority.

**For all stakeholders** involved in regeneration:

- Ensure that regeneration is underpinned by sound appraisal and clear objectives are set consistent with HM Treasury guidance.
- This will involve working to agree objectives that balance both national and local priorities.
- Consider whether it is possible to deliver additional housing supply through densification. This approach will be beneficial in some areas but needs careful consideration and good management.

## Longer description of case studies

### 6.1. Aberfeldy Estate, East London Case Study

#### *Summary*

- Aberfeldy in Poplar is one of the most deprived areas of London. Its location meant that it was isolated from the economic growth in surrounding areas.
- Poplar HARCA worked with TFL to reduce isolation and improve accessibility by installing two new pedestrian crossings in key areas of the estate. This meant the estate was closer to transport links for existing residents and more attractive to developers.
- Poplar HARCA entered a joint venture with Wilmott Dixon to create Aberfeldy Village. Regeneration of the estate used densification to increase the social and economic sustainability of the area. It created additional accommodation to attract new households to the area whilst retaining the same amount of social housing.
- The project has been successful in attracting new households to the area and improving amenities whilst maintaining high levels of satisfaction amongst tenants. Its location and improved access to transport links have attracted young professionals, particularly through the development of high quality private renting. This development provided funding to support the development of social housing.
- This highlights the types of areas which require regeneration even with a buoyant London housing market. It also demonstrates the difficulty of finding upfront funding for projects in regeneration areas.

#### *Background*

##### *The project*

Poplar HARCA are undertaking a comprehensive regeneration of the Aberfeldy Estate in Tower Hamlets, East London. They have set out a ten year programme to provide 1,176 new homes, enhanced open spaces, new shops and community facilities. This £250 million project is delivering tenure-blind accommodation that increases the amount of social renting but also provides new homes for both private renting and owner occupation.

The project is the result of a long-term partnership between the London Borough of Tower Hamlets and Poplar HARCA. This began with the creation of Poplar HARCA in 1998 as a stock transfer of around 8,000 properties from the Local Authority. Since this time, Poplar HARCA have refurbished many of these properties and developed in excess of an additional 1,000 new homes in the area. Part of the mission of Poplar HARCA is to work with tenants to develop a long term vision for transforming their area.

In 2010, Poplar HARCA submitted a planning application to regenerate the Aberfeldy Estate. They set up a limited liability partnership (Aberfeldy New village LLP) to deliver this regeneration plan. It consists of a 50/50 joint venture with Prime Place (part of Wilmott Dixon). A variety of other organisations from the public and voluntary sectors have also been involved in this process. The involvement of Poplar HARCA is important in ensuring that this project provides a broad vision for the area. In particular, they have spent a lot of time working with tenants to ensure that their needs and aspirations are included in the project. Poplar HARCA have taken on a wide ranging role in managing place making and community development which goes beyond physical development. They are working to ensure that the needs of the community are met in terms of voluntary services, healthcare and education.

### *The area*

Aberfeldy is located in Poplar, East London around one mile away from Canary Wharf. The site covers 8.69 hectares and is bounded on all three sides. The site is bounded by the A12 Blackwall Tunnel to the west, and A13 East India Road to the south and the River Lea to the east. These features have isolated the Aberfeldy Estate despite its proximity to the heart of London.

This was one of the most deprived areas in London across a range of measures including health, morbidity and employment. The housing stock largely consisted of around 200 social rented units which were interspersed with 90 leaseholders who purchased their properties under the Right to Buy. These existing properties need high levels of maintenance and repair. This meant that the options were either to invest increasing amounts of money to maintain ageing stock or develop new accommodation to replace it.

### *Aims and objectives*

Poplar HARCA have worked with residents to create a broad vision for the estate based on their experiences and aspirations. Stock transfer was designed to deliver more radical change to the area than just the upgrades completed under the Decent Homes Programme (such as new kitchens and bathrooms). The project is seeking to deliver change that will last for several generations. Poplar HARCA worked with residents on the vision for the estate before and after stock transfer. This included actively engaging with the full range of households living in the area. These discussions formed the basis for working together to create a vision for a better future. It was recognised that new tenants should not be treated any differently to existing ones. The approach was built on the rationale that all people want the same basic things in their local area. These include warm, safe and secure homes as well as decent services, shops and access to amenities. Therefore it should be possible to balance the needs of existing and future households.

The key aims for the estate were to increase access to Aberfeldy by reconnecting it to the wider area and developing a mixed community that could support a wider range of commercial, public and voluntary sector services. In order to do this, they focused on:



- using densification to develop a mixed and balanced community
- introducing a new private rented offer to attract young professionals and meet private sector need
- creating a mix of housing; re-providing the same amount of social housing and balancing it with private rented housing
- drawing different types of households into the area to increase economic activity
- improving community, health and commercial facilities
- making better use of green space to create better amenities for the community.

### ***Inputs, Activities and Outputs***

The overall plan for the estate included the demolition of 297 residential units along with retail units and the existing Aberfeldy Neighbourhood Centre. In its place they are developing up to 1,176 residential units in a range of buildings between two and ten storeys in height. This consists of:

- 151 re-provisioned social rented units
- 20 new social rented units
- 21 shared ownership units
- 986 units for private sale.

The construction of the residential units will amount to over 850,000 ft<sup>2</sup> of Net Internal Areas. Other outputs from the project include a mix of new commercial, community uses (community centre, faith building and health centre). Expenditure on these additional facilities and amenities amounted to £5.2 million. Other key costs included over £10 million on planning and other pre-construction costs. Leaseholder purchases represented another major upfront cost amounting to almost £25 million.

The total expenditure for the project will be in excess of £250 million across all six phases. Private sales were the largest source of revenue for the project. These were supported by additional revenue from sales of shared ownership, retail and parking spaces. HCA/GLA Grant funding was secured for the first two phases of affordable housing at circa £25K per unit.

### ***Outcomes***

The project was based on the assumption that changes to the area would make it desirable for a range of different types of people. This meant that one of the most important initial outcomes was related to the private sales of the first phase. The first private sales marketed very well which suggested that the area was changing. These private sales also represented the greatest financial risk to the project. There has been considerable growth in sales prices in the area since the start of the project. It is demonstrated by the rising cost of buying out leaseholders as each phase was developed. An article in the London Metro titled "It's already gone up in price and I haven't moved in yet", profiled the Aberfeldy Village scheme and a first time buyer, who has already seen a property price rise.<sup>64</sup> This is a reflection of both the changes to the area and wider changes in the London market.

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<sup>64</sup> London Metro, 19<sup>th</sup> January 2016

A second key outcome measure is the response of tenants to the changes. Poplar HARCA have seen levels of tenant satisfaction increase and are now higher than comparable locations. Tenant satisfaction ratings increased to 87 per cent in 2015 which is their highest rating. There is evidence that residents are happy with the plans for their area. More generally, the profile of the Aberfeldy area is improving locally and more widely across London. Evidence of wider outcomes is still emerging but there has been change in relation to:

- Energy efficiency of homes. Every new home is built to the Code for Sustainable Homes Level 4. On site Combined Heating and Power should result in lower energy costs.
- Maintenance costs. Careful design and selection of materials should reduce maintenance costs.
- Employment. A number of employment and apprentice opportunities were created for local people and local suppliers. The project is achieving a 20 per cent local employment target.
- Health facilities. The new facilities have helped to improve local provision.

### ***Lessons and barriers***

Poplar HARCA feel that the **strengths** of this project reflect the team who have been involved in it. This began with an honest assessment of the capabilities and limitations of the organisation. Poplar HARCA have a strong track record in community building and engagement in order to work with tenants to create a shared vision for the project. A particular weakness was in the marketing and sale of private homes. This led them to look for partners who could complement their values and increase their capacity. Selecting the right commercial partners involved consideration of a range of factors. Cost was clearly an important consideration but other factors, such as experience, were also crucial. One of the most important factors was ensuring that the values and ethos of partners could complement the approach of Poplar HARCA. For example, this meant selecting architects who were prepared to listen to communities and work with them.

Reflecting on the **weaknesses** of the project, Poplar HARCA felt that the greatest difficulties had been getting to the point where planning permission had been obtained and the site was ready for development. Even with experience of the processes involved the organisation had expended considerable time and money on the project prior to development.

This leads on to one of the key **lessons** for other projects - the viability of long term projects. These types of large scale projects depend both on upfront funding (usually cash funding from partners) and considerable commitment of staff resources. Any unexpected issues with planning can lead to problems with funding and cashflow. Another set of issues related to obtaining vacant possession of the site. Buying out leaseholders can be a time consuming and expensive process even with experience and careful planning. Support from local authorities through Compulsory Purchase Orders is crucial. In this case, the majority of the upfront costs were met by Poplar HARCA, but few organisations would have the resources to do this.

Another key lesson was that long term regeneration projects are likely to go through different cycles in the property market. The timing of these cycles can be crucial if you are dependant on private sales to cross-subsidise other elements of the project. This is most difficult in the first phase of the project. Once early phases are complete there is likely to be a 'regeneration bounce' in both prices and perceptions as people see an area start to change. The first phase of the project is the most difficult part as

it requires a 'leap of faith' from development partners, local residents and the wider community.

The third key lesson is that **densification provides a useful tool for regeneration**. It can be used to maintain social housing provision and deliver wider improvements for an area. There are a number of factors which need to be incorporated into this approach to make it work. These are based on good design and management. Good design should be tenure blind with all properties able to share first class outside spaces. Good management involves sound proofing and design quality to avoid problems with noise nuisance. Housing management also needs to focus on maintaining the quality of shared spaces.

Poplar HARCA reflect that **cash flow and viability are likely to be biggest barriers** to this kind of project in the future. The biggest barriers are centred around developing the first phases of the project including site assembly, planning and vacant possession. There may be a particular issue around the extension of the Right to Buy. Buying back properties from leaseholders was and continues to be, expensive and time consuming. If the number of leaseholders in this type of area increases significantly then it may stop future regeneration projects. There is likely to be a point when the number of leaseholders is too high to make projects viable. This includes both the time taken to obtain possession and the cost.

The front-loading of risk at the start of a project means that this is the time when additional support (e.g. public funding) is likely to be most beneficial. Most projects of this type in London are likely to be viable over their full life. However, they may well need support in the form of pump priming finance or expert support in order to help deliver the initial phases. At present, development finance is likely to be relatively accessible once the project is under way but funders are not keen to forward fund projects. Very few Housing Associations or local authorities are likely to have the resources to complete site assembly, remediation and achieve planning without external financial support.

With thanks to Neal Hunt, Helen New, Malcolm Ward and Poplar HARCA

## 6.2. Anfield, Liverpool Case Study

### *Summary*

- Your Housing are working with Liverpool City Council and Liverpool FC to regenerate an area adjacent to Anfield stadium.
- Refurbishment of existing housing stock is being supported by new build and a wider programme to regenerate the area.
- The area has been subject to a range of regeneration initiatives but the current, comprehensive approach is designed to create a long term legacy with a more sustainable community.
- The project is nearing completion with evidence that perceptions of the area are changing both from a strong existing community and those moving in.
- Early outcomes show that the project is providing good quality accommodation which acts as a catalyst for wider change in the area. It is also supporting job creation, economic activity and employment.

## **Background**

### *The project*

The Anfield and Everton wards of Liverpool are situated around two miles to the North East of the city centre. These areas are undergoing significant regeneration of their housing including refurbishment of existing stock and development of new accommodation. Housing Association, Your Housing are leading the current phase of activity which is focused on the areas of Anfield Village and Rockfield. This phase of activity is part of a wider programme including:

- The expansion of Liverpool Football Club's Anfield stadium, where the new Main Stand is nearing completion.
- Restoration of Stanley Park, a historic park adjacent to the area.
- A new public square – Anfield Square – including new commercial and retail premises. Also in development is an avenue running from Stanley Park to the redeveloped main stand and the main retail corridor.
- A proposed new hotel which will offer training opportunities to local people.
- New retail premises along the High Street.

This location was contained within the Former Housing Market Renewal (HMR) Area. Significant housing clearance and redevelopment was carried out during this programme. It also led to the development of additional facilities such as a new primary school and health centre. The end of HMR funding in 2010 led to the need for a new approach to regeneration in this area. It coincided with new owners at Liverpool FC, the creation of Your Housing and the election of a new mayor of Liverpool. These partners came together to create a joint approach that sought to meet residents' aspirations for their area. This new approach is focusing on refurbishing existing stock where possible although some new build was required where stock condition was very poor. In addition, environmental improvements are being used to improve the appearance of the area.

The key partners in this programme include Liverpool City Council, Liverpool FC and Your Housing. Liverpool City Council have made a commitment to support regeneration of this area. Liverpool FC are investing in development of the existing Anfield stadium after previous owners had investigated creating a new stadium on a different site. Your Housing owns and manages more than 850 homes in the Anfield/Breckfield area of the city. Their local experience and asset-base can be used as a base to attempt to make significant changes in the area. They are seeking to take a holistic view of the social, economic and environmental sustainability of the project.

### *The area<sup>65</sup>*

A combination of different issues meant that there was a clear need for intervention in this area. These included:

- Deprivation, low incomes and child poverty. Almost one-third of the Anfield Ward was ranked in the most deprived one per cent of neighbourhoods nationally in 2010. Child poverty levels were high and increasing, with some 1,550 children in poverty equating to 43 per cent of children living in Anfield ward. The average

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<sup>65</sup> Figures from Spatial Regeneration Framework, 2014

Household Income for Anfield was £25,900 compared with an average for Liverpool as a whole of £30,400.

- Population decline and a poor reputation. The physical environment of Anfield reflected this population decline with vacancy levels rising and housing becoming derelict. Population decline also had a significant impact on shops and services. A significant proportion of shops were vacated and the range of services for local residents was limited.
- Levels of owner occupation within the area were low relative to the average for Liverpool and England. Demand for home ownership within Anfield and Everton has declined over a protracted period. However, the new development in the former HMR area was popular and began drawing people into Anfield, resulting in rising house prices in some parts of the area.
- A relatively high proportion of the economically active population of Anfield and Everton in 2011 were employed in elementary occupations such as labourers and domestic cleaners. A very high proportion of Anfield and Everton residents – in excess of 40 per cent - had no qualifications.

### *Aims and objectives*

When the funding environment changed in 2010 there was a need to revisit the approach to the project. There have been a range of interventions in the area over several decades. The different partners needed to take time to consider the best approach. This was based on extensive work with existing residents to understand their needs and aspirations. This included development of the Anfield Neighbourhood Area and Spatial Regeneration Framework. Essentially, there were three choices for the area:

- Continued decline which would have social and economic costs as well as an impact on service provision.
- Limited improvements which might deliver some short term change.
- Co-ordinated action designed to leave a long term legacy.

The aspiration was to develop a package of interventions which would make the area both socially and financially sustainable. The aim was to create a series of changes which would support and reinforce each other. They included.

- Improved accommodation within the area. There was a need to ensure that types of property available met the different needs within the community. This included a greater mix of property and tenure types. A mix of tenures would also help to ensure that the area is socially and economically sustainable.
- Ensuring that existing residents can stay in the area if at all possible. The project has encouraged people with local connections to stay in the area. This includes retaining some social rented lettings for local residents and making sure that people with local connections get access to ownership opportunities.
- Better services for existing residents. Current provision of shops and services focuses on the needs of supporters on match days. They offer little for local residents and there was a clear desire to change this. Improving these services and developing new businesses would also be an important part of increasing the attractiveness of the area to potential new residents.
- Connect the area to the growth and development within the city, particularly in the city centre. There is a need to ensure that the area benefits from the proximity to Liverpool FC. The development of the stadium provides employment opportunities for local people. However, there was a need to

ensure that investment is retained locally and that local people get access to employment created by the scheme.

Together, these changes should ensure that Anfield is a place which is attractive to live in. The proximity to the city means that it should be very attractive for a range of different groups. It should be a place where people choose to live with demand for social renting and owner occupation.

### ***Inputs, activities and outputs***

The main activities from the programme are being delivered by Your Housing, Liverpool City Council and Liverpool FC. Since 2009, Your Housing have undertaken the following in Anfield and Rockfield:

- Completed 161 new build units delivered in partnership with Keepmoat Developments representing an investment of £15.7 million. This development will have provision of 30 per cent affordable housing across the project.
- 27 refurbished units representing an investment of £2.7 million. This includes renovating stock which was no longer useable due to lack of space. Different options have been used to reconfigure the existing stock. These included knocking two properties together to create larger three bed properties with some outside space. Another option created one bed flats to deliver properties for different demographic groups.
- With another 16 other additional units, Your Housing have so far delivered 204 units with an overall investment of £23.4 million. This was supported by funding from the HCA Affordable Homes Programme, the Recycled Capital Grant Programme and funding for Empty Homes. The grant rates were relatively low for first few phases of the project. Higher grant rates (up to £40,000 in some cases) were needed to finish off the most difficult properties. These properties were important in order to complete the redevelopment in particular locations. The cost of redeveloping some properties has been higher than the open market value but was necessary in order to maintain the original façade and transform the most difficult properties. This was a crucial component of transforming the area. Regular dialogue with HCA provided the flexibility to ensure that the new properties met the needs of the local community.
- Considerable commercial investment is also being planned. This includes developing a new hotel and commercial space for offices next to the stadium. The hotel should deliver commercial returns but is a crucial part of the plan to deliver training and opportunities whilst retaining investment in the local area. This includes training to help local people access hospitality opportunities around Anfield. It is part of a wider scheme to improve training and employment access for local residents.
- Your Housing Group has led on several projects to create new employment opportunities. Hestia Careers is an innovative apprenticeship programme creating opportunities for young people in the growing catering and hospitality sector. The project is a partnership between Your Housing Group, City of Liverpool College and the Isla Gladstone Conservatory in Stanley Park. The aims of the programme are to raise aspirations and provide mentoring to enable young people to succeed. Your Housing tender work to local construction companies, on a project by project basis to boost employment opportunities.

Liverpool City Council is:

- Supporting prospective home owners to bring empty housing back into use. More than 20 properties which were previously earmarked for demolition are being refurbished. This is part of a drive to encourage households to move back into Anfield and help kick-start the housing market in the area. Properties are sold to new residents for £1. Residents get a grant from the council for improvement works.
- Providing grants to help owner occupiers who were living in the area before 2012 improve their properties. They are also encouraging private owners to improve the frontage of their properties by providing grants for environmental improvements. This has been balanced with enforcement action to ensure that stock has been improved.
- Undertaking landscaping and street scene improvements throughout the area. This includes renewing Stanley Park and renovating historic features within it.

Liverpool FC is developing Anfield stadium to increase the capacity of the site. The high street is also being developed by both Your Housing and other partners. Wayne Hemmingway is working to create a vision for Anfield that will increase the profile of the area and seek to make it an attractive destination. This will seek to draw together different aspects of the project into a coherent whole. The square and the plaza will eventually provide a focal point for the area and highlight the change that has already happened.

### **Outcomes**

The early phases of the project are now complete but several key elements of the programme are still in progress. Most of the housing renewal and development in the area is likely to be completed during 2016. The new main stand at the Anfield stadium is due to be completed in time for the 2016/17 football season. Other aspects of the project are likely to take several years to complete. These include the proposed commercial development and changes to retail provision. This means that the full outcomes of the project will take a number of years to emerge. However, there is already evidence of change within the area. These benefits include:

- Community support. Perceptions of the area amongst local residents have been one of the first things to change. This represents one of the most important outcomes. A succession of different programmes and the end of HMR had left many local people disillusioned with efforts to change the area. They felt that they were not receiving support and that their concerns were not being addressed. Intensive work between Your Housing with Liverpool City Council and the local community has helped to create greater positivity about the area. For example, the first renovated properties were opened up to the local community to allow local residents to see what had been achieved. Another example has been to ensure that local residents are benefitting from the new and updated properties. This has helped to give confidence to the community that the Housing Association are addressing their needs. Tenant satisfaction within the area is now higher than other comparable areas.
- Wider perceptions. The wider perceptions of the area have also begun to change. Previously, there was little demand for social housing in this part of the city. There are now waiting lists to move into social housing within the area. There has also been strong demand for owner occupation in the area. Whilst many of the properties have been sold to local residents there has also been strong interest from households living outside the area.

- Economic changes within the area. Indications suggest that there is growing economic activity and greater confidence in investing within the area. House prices are starting to increase. There is interest in developing new commercial facilities. This has been supported by the approach to procurement which has sought to retain as much of the investment as possible in the local area. Local recruitment clauses on contracts are designed to create one apprentice for every £1 million spent on the project. Your Housing have also sought to purchase all materials within a ten mile radius of Anfield wherever possible. The aim of this type of approach is to maximise the social value of the financial investment.
- Employment. To date 17 young people are taking part in the Hestia Careers employment programme, placed with employers throughout Liverpool. In the past two years the project has created 14 new jobs and two apprenticeships in the Anfield area. At its peak, 89 per cent of people working on the project were living within a ten mile radius of Anfield. A work experience programme with City of Liverpool College has also implemented.
- Fuel poverty. One of the most notable changes for tenants has been a reduction in fuel poverty. The new and refurbished properties have better energy performance (due to better insulation and other changes) which makes them much cheaper to heat. A number of the households have also moved out of properties that were too large for their needs into more manageable properties which has further improved the thermal comfort.

### ***Lessons and barriers***

The key strength of the project, so far, is that it has begun to deliver real change to a community which had considerable problems. Local residents are already benefiting from higher quality and more diverse housing stock which has been completed in the first phases of the project. The project is being delivered by a partnership which is working together to deliver change to the area. Each of the different partners is delivering different aspects of the project according to their strengths and resources. Input from Your Housing is based on both the financial viability of the project and their long term commitment to the area. It demonstrates the benefit of combining housing change, community development and wider economic growth in a coherent approach.

The biggest difficulty for the project is the lack of available land in the area. The density of existing housing and amenities makes change difficult. It has meant that the project has had to think creatively about the use of every piece of land in the area. This has been essential in order to both keep existing residents within the local area whilst meeting their needs. It was most difficult during the first phase of the project as there were less options for moving existing residents.

The **lessons** from this project for other developments include the need for:

- Flexibility and adaptability. Initial plans may have to be altered over time depending on changes. These changes include the needs of local residents, changing priorities for partners and the wider market conditions. Partners may need to adapt their plans to ensure the overall success of the project. For example, the flexibility of the HCA during the project has been a crucial component of successful delivery within this area.
- Time to build trust and credibility with existing residents. This is a particular issue in areas that have been involved in previous initiatives. In order to build trust there is a need for locally based staff who understand the area and are accessible to the community. Ideally this should be a named contact supported



by willingness from senior staff and board members to be directly involved in the area. Prioritising the needs of existing residents through lettings policies and access to owner occupation can help. If existing residents feel they are being supported then it can help to create openness to other people moving into the area. It is also important to plan the scheme so that existing residents have good accommodation during the project. More generally, credibility and confidence grows once people can see that change is starting to happen and they get a sense of what the finished result will look like.

- Long term commitment. It takes years of time, energy and financial commitment to deliver change to this type of area. Housing Associations are often well placed if they have a long term commitment to a specific area. Residents and other partners can draw confidence from an existing track record of involvement by a Housing Association. It is vital that all of the partners will remain committed to the project even through difficult times when things don't go to plan.
- Good communication. This is vital in order to manage changes to the project particularly when delays occur. Communication with the community is needed to manage expectations and explain changes. It also includes communication with partners to resolve issues that emerge in the process of the project. Open, honest and consistent communication is essential to building and maintaining good relationships.
- Strategic investment. In this type of area it is necessary to put together an investment package involving different partners. Some parts of the scheme will probably need to make a surplus which can be invested in other areas. This is important to create a sustainable financial model and to maximise the social returns in areas where investment may not be viable otherwise. It also means that partners need to think carefully about where they are going to invest their resources.

The biggest barriers to this type of project are likely to be the upfront costs. There is a need for financial support for the early stages of any project, particularly site assembly. Other upfront costs include planning and community engagement. At present, Housing Associations can use their assets and other resources (such as HCA grant funding) to secure the initial investment required. But this may be more difficult with current changes to HCA funding. Specific funding sources, particularly those relating to energy efficiency (e.g. ECO and green deal) were an important part of the investment package. Removal of this kind of support makes it more difficult to develop a viable investment package. The resources of other partners are also under pressure at the moment and may also present a challenge for this type of project. Other public sector partners are struggling to find the resources to continue this type of work. For example, local authorities have an important overview of an area and are crucial in bringing together different types of provision (e.g. health, education, transport). The resources within many local authorities to support this kind of project are increasingly limited.

Other issues provide both opportunities and barriers which have to be overcome. The first relates to existing home owners in the area. Working with home owners is vital as they represent one of the most important stakeholders and investors within the community. However, they can also be a major barrier to this type of project if they do not support changes. This leads on to a second area - changes in government policy. New policies such as RTB provide an opportunity for tenants to access owner occupation but will create challenges around the financial impact for Housing Associations.

In order to deliver this type of project a number of key factors are required. These are:

- Financially viability. It is likely that partners will have to take a long term view on their investments.
- The existing assets and potential within the area. For example Housing Associations are likely to invest in areas where they have a critical mass of properties. This allows them to have greater influence within an area.
- Good relationships between partners particularly support from the Local Authority. These types of project need a range of stakeholders who are equally committed to an area and willing to add a financial contribution. Housing Associations are unlikely to be able to undertake this type of project on their own but can be a key partner.

Potential changes which could support the development of more projects include:

- Sharing best practice between regeneration projects. Collaborative learning between projects could increase the impact of this type of approach. It would also be beneficial to tracking the long term impact of projects in order to build a business case for further investment.
- Ensuring planning recognises the particular challenges of this type of approach. At present the planning process can be time consuming and expensive which contributes to the upfront costs of this type of project. For example, it can appear that application of standards is not consistent across sites. In addition, Section 106 can be difficult to deliver within the constraints of these areas.

With thanks to Your Housing Group, particularly Dave Litherland, Lorraine Donnelly, Niki Stockton and Helena Banfield.

### **6.3. North Prospect, Plymouth Case Study**

#### ***Summary***

- North Prospect was once a popular area but had fallen into decline with increasingly dilapidated housing stock that did not meet the needs of the community.
- Plymouth Community Homes (PCH) has completed the refurbishment of 300 homes. Over 500 new homes have been built in Phases 1 and 2 of the new build programme. This is creating a range of good quality housing stock including different accommodation and tenure types.
- The programme is being financed through a combination PCH internal subsidy, Homes and Communities Agency (HCA) grant funding, open market sales and a package of other investment sources.
- Densification will increase the local population allowing existing residents to remain in the area but also attracting new households. This is designed to increase the long term social and economic sustainability of the area.
- This project highlights how a housing-based approach can be used to make major improvements to a deprived area. North Prospect is becoming an area where a range of different types of households want to live. They can now access good quality accommodation, services and amenities.

## **Background**

### *The project*

PCH is regenerating North Prospect, a deprived neighbourhood located two miles north of Plymouth city centre. The estate is owned and managed by PCH, a housing organisation set up to accept stock transfer from Plymouth City Council in 2009. North Prospect was built mostly after World War One, following Garden City principles and was seen as a desirable place to live. Due to low quality of post-war build, the condition of the housing stock is now very poor. The popularity of North Prospect slowly declined from the 1950s onwards and by 2001 it was recognised as an area of concentrated deprivation.

One of the main aims of stock transfer was the delivery of neighbourhood regeneration in North Prospect. PCH was tasked by Plymouth City Council to lead the delivery of a £168m transformation of the neighbourhood. Consultation with residents began in 2006 about what changes they would like to see in their area. Residents have continued to be consulted about the progress of the project. For example, in relation to plans for recreational areas and choice of contractors.

PCH have taken the lead in overseeing and delivering the regeneration programme. This lead role for PCH has created additional benefits. For example, as a stock transfer PCH had access to Decent Homes funding. The commitment of PCH to the local area means that the long term management of the development is a central concern. It means that the visual appearance of the area is crucial and that this improvement needs to be maintained. The position of PCH means that they can balance the needs of the community with financial viability. Plymouth City Council have provided significant support in planning, coordinating services and democratic representations through local councillors. Barratt acted as the main contractor on phases 1 and 2 of the project. Kier will be the main contractor for phase 3 and Mi-space led the refurbishment of properties.

### *The area*

The original homes in North Prospect were mainly three-bedroom, semi-detached houses which had reached the end of their use. Most properties had substantial structural defects, extensive damp and were difficult to heat. This resulted in housing stock which didn't meet the different needs of existing residents. They were expensive to live in due to heating and maintenance costs. North Prospect was ranked as one of the most deprived communities in England in 2007. Despite these problems the area had significant potential for regeneration. The location is within the existing urban structure of the city which meant that housing-led economic development could be used to deliver change to the area. Before the project started:

- Nearly 60 per cent of stock failed the Decent Homes standard.
- Two out of the four Lower Super Output Areas that make up North Prospect were ranked in the bottom three per cent nationally in the 2007 Index of Multiple Deprivation.
- Resident population was 4,940 in 1,526 homes but this was unevenly distributed.
- The demographic make-up of the area was over reliant on older couples and young families. Many of the older households were looking to find smaller and more manageable properties. The younger households were often overcrowded and looking for additional space. The dominance of three-bed properties meant that the needs of both groups were poorly met.
- There were high levels of long term unemployment.

### *Aims and objectives*

PCH are aiming to transform a deprived estate into an area seen as a desirable place to live. This is based on affordable housing with low utility costs, high quality space and excellent local services. It is seeking to build upon and develop the residents' strong sense of community. The ten year plan is aiming to:

- Demolish 605 existing affordable and 189 owner-occupied homes to be replaced by 1102 new homes of mixed tenure.
- Refurbish 300 existing affordable homes to a standard that will extend their life by a minimum of 30 years.
- Ensure no reduction in affordable housing while improving the range of house types.
- Improve use of land by increasing house density from 30 dwellings per hectare to 50 dwellings per hectare.

This approach was chosen due to a combination of stock condition survey results, site assembly and valuation. Refurbishment of existing properties was undertaken where the quality of the existing stock was acceptable or if there was a higher proportion of private owners. Financial viability meant that it was not possible to replace existing stock with new build in areas where more than 25 per cent of properties were privately owned. Increasing the population within the area was another key component of the approach. Combining densification with the provision of a better mix of housing types should create space to accommodate both existing residents and additional households.

### *Inputs, Activities and Outputs*

The new build programme is a five-phase project originally expected to take ten years to complete. Phase 1 is completed and phase 2 completes in 2017. Contractors for phase 3 have been agreed and will start on site soon. In phase 1 the project completed 148 new homes at a total cost of £12.1 million. This consisted of 52 units for social rent, 28 for shared ownership and 68 for open market sale. HCA funding for this phase amounted to £3.96 million with a grant rate of £49,500 per unit. The grant rate was significantly lower for phase 2 of the project. In phase 2 the project completed 364 homes at a total cost of £31 million. This consisted of 130 units for social rent, 61 for shared ownership and 173 for open market sale. HCA funding for phase 2 amounted to £5.7 million with a grant rate of approximately £29,000 per unit.

The refurbishment of 302 properties cost around £15 million. This was supported by £750,000 from the Community Energy Saving Programme. The refurbishments were extensive including the replacement of roofs, windows and doors. It also improved energy efficiency through loft insulation and cladding the external walls with insulating panels. Internal refurbishments include rewiring and the installation of new kitchens, bathrooms and heating systems.

Other capital activities include the delivery of a community hub, The Beacon, and significant improvements to the local park. Completed in 2014, The Beacon provides space for the local library, a Sure Start nursery, a café, community hall and meeting rooms for use by local businesses and organisations.

## Outcomes

The main outcome from the project so far is evidence of significant transformation of a deprived estate while retaining a strong sense of community. PCH has worked hard to make sure that residents are at the heart of the process of deciding how change is occurring in North Prospect. This process started three years before the stock transfer with residents consulted on their hopes for North Prospect. Continuing engagement through consultation, meetings, newsletters and face-to-face discussion has been crucial to the process, particularly when the project faced significant challenges. Evidence of this can be seen in Resident Satisfaction Surveys which rate at between 96 and 100 per cent. North Prospect residents still use its nickname 'Swilly', with a sense of pride and external perceptions of the area are slowly improving. Some of the other key outcomes from the project so far include:

- Higher quality of homes. The affordable homes have been built to a much higher standard than previous stock. This includes Code for Sustainable Homes Level 4, Lifetime Homes and Secured by Design. Gardens have been designed to be appropriate to the property type whilst allowing more space for new homes. A variety of house and flat types have been introduced, providing accommodation which is suitable for people at different stages in their lives.
- Demand for housing. The quality of housing is reflected in increased demand within North Prospect. There is far higher demand for rented homes and a reduction in voids. Shared ownership properties delivered via SO Living sold out ahead of schedule. The private sales by Barratt Homes demonstrate demand for owner occupation within the area. There is anecdotal evidence that buyers are predominantly local. Increase in land and property prices provide a sign of growing interest in the area. However, rising prices have the negative effect of increasing the cost of site assembly for later phases.
- Job creation and employment. One of the aims of the project was to support job creation in the area and across the city. So far, the construction at North Prospect has supported up to 500 jobs with an additional 30 placements for trainees and apprentices. There is evidence that around 90 per cent of employees are from Plymouth and 10 per cent from North Prospect.
- Lower fuel costs and more energy efficient homes. There is already evidence that residents are benefiting from more energy efficient homes. Surveys with tenants show that heating bills have reduced by a third. As a result, families have a better quality of life, being able to eat together around table at mealtimes and spend time together in the evenings. Tenants have reported that "before I put £5 in the meter daily. Now I'm looking at every three days, so my bills have reduced." Others have reported the change in their lifestyle as "my new house is so warm. Where I was before was so cold you could see your breath. My children and I would literally live in my bedroom, only going downstairs for a drink or to cook food."
- Health and educational benefits. Tenants are reporting that the higher standard of accommodation has been beneficial for their health and education. For example, one tenant reported that "the school say my daughter is a lot more settled, happy and confident since we moved and getting on much better with her school work. Every winter she would suffer with her tonsils but she has been much healthier since we moved to our new home."
- Community facilities, services and neighbourhood outlook. The community has seen improved community facilities. The Beacon is the centre of the neighbourhood, both symbolically and geographically. It was seen as one of the key drivers in forming the new community and giving it a focus. As well as providing a home for the essential services, a shop, café, library and nursery it

also hosts activities where people of all ages can meet and people can get to know their neighbours. The Beacon has hosted garden workshops, coffee mornings, church services, festive fares and parties, children's craft activities and a pet care event among others. Other important changes include improvements in the street view and parks which have provided spaces for recreation and community engagement.

### ***Lessons and barriers***

The key **strength** of the project so far has been the use of a housing-based approach to start to make major improvements to a deprived area. North Prospect is becoming an area where a range of different types of households want to live with good quality accommodation, services and amenities. The biggest **weakness** in the project has been that not all of the households have benefitted from the housing improvement. Existing owners in areas which have been refurbished have not benefitted. There are over 300 owners who have been offered the chance to have their properties refurbished but chose not to do so. This was because they would have had to pay the full commercial rate with no subsidies available. However, these households have still benefitted from the wider improvements within the area.

A number of lessons from this project may be applicable for other developments.

- Communication with existing residents is crucial. It is vital to demonstrate that the project is working with existing residents to improve their area and not imposing solutions. This means demonstrating the benefits of the project and providing a clear, consistent explanation of how change will occur. It is likely to require extensive engagement with tenants at each stage of the process. One of the most successful means of doing this has been to provide easy access to named staff members. A benefit of this kind of communication is that it has helped to avoid the need for compulsory purchase. However, this kind of communication needs time and can necessitate a long dialogue in some cases.
- Long projects are going to change over time. There needs to be some flexibility in terms of delivering the programme, particularly in relation to funding. This means keeping focused on the key aims but thinking flexibly about how these can be delivered. It also means working with the community and other stakeholders so that they are aware of progress.
- The first phase is the most difficult part of the project. It is the phase which needs to demonstrate the benefits of the project to the community and other stakeholders. There are also practical problems with the first phase of the project. For example, there are limited options for decanting existing residents. Once this phase is complete it provides stock which creates flexibility in moving residents. PCH used nomination rights to try and overcome this issue but it was not an easy process.
- Lettings policies. Working with the Local Authority on lettings policies is an important component of success. Existing residents need to be reassured that they will benefit from improved accommodation. This needs to be balanced with the wider needs within the city. PCH also used their lettings policy to challenge antisocial behaviour. They were clear that re-lets would only go to households without rent arrears or existing antisocial behaviour. This proved to be a useful tool in challenging behaviour and changing the perceptions of the estate.

The biggest barriers and threats to future projects like this include:

- Perceptions that projects of this kind will not get delivered. There is often cynicism from a range of sources, including stakeholders, the community and commercial partners. This needs to be overcome before a project can be delivered.
- Time scales. The length of time required to deliver projects of this kind can provide an obstacle to their delivery. It can be difficult to find the commitment and resources to deliver them.
- Finances. PCH would be interested in delivering this kind of regeneration elsewhere but it would be difficult in the current financial climate. The drop in grant rates would be a major issue. Higher grant rates were crucial in delivering phase 1 of the project. It would not be possible to deliver this kind of project with zero grant even if all the properties were sold on the open market. This is because the value of new builds sold on the open market would not cover the cost of land assembly and building. It is likely that other areas of the country with relatively low land values and house prices would experience similar issues. Without new build, the only option for regeneration would be refurbishment. This would not have been suitable in North Prospect given the poor quality of existing stock.
- Affordable renting. There was a desire from the community for more diverse tenure options but the future of affordable renting is a concern when considering this kind of scheme. The demographic and economic make-up of the community means that there is a need for affordable rental products as well as ownership options. Changes in funding mean that it is increasingly difficult to deliver low-cost rental products.

Potential solutions which would help to overcome the barriers include:

- Some kind of subsidy/support to help owner occupiers refurbish their properties in regeneration schemes.
- Upfront grant or other financial support to help with the viability of new build accommodation. Land assembly and preparation are the key points in the project where grant or other financing would be most beneficial.

With thanks to James Savage and colleagues at PCH.

## **6.4. Northfield Village, Stafford Case Study**

### ***Summary***

- Northfield Village is a mixed use development that brings together a range of accommodation, community and care facilities on one site.
- This development was part of a strategic approach to service transformation across Staffordshire. It was built on the changing needs of the community, particularly an ageing population.
- The location of the site meant that new accommodation and services could be integrated into an existing community.
- The investment package for the scheme combined a wide range of funding types from different sources. These include land, capital and grant from partners including local authorities, Housing Associations, the Homes and Communities Agency and the NHS.

- Combining services in this way has delivered high quality accommodation which supports independent living and provides a better quality of life for residents. Considerable financial savings are starting to be realised in relation to facilities management and care delivery.

### **Background**

Northfield Village is a mixed use development that brings together a range of accommodation, community and care facilities on one site. It is located on the edge of Stafford town centre. Stafford is a medium-sized town in the West Midlands of England. The development is an innovative scheme which provides people with a range of accommodation choices. These include general needs housing, Extra Care housing and specialised accommodation (e.g. dementia sufferers, people with learning disabilities). It allows people to continue to live an active, sociable lifestyle in a familiar locality. The accommodation is supported by a range of integrated services which are accessible to residents and the wider community.

The site was predominantly owned by Staffordshire County Council (SCC) with Stafford District Council (SDC) owning an area of open space. Before the start of the project, the site contained a variety of different services. These included:

- Disused school building
- Four houses
- Archives and storage warehouses
- Learning disability care home
- Day centre for adults with learning disabilities
- Residential care home for older people
- Day centre for people with mental health needs
- Facilities for charities working with people with physical disabilities.

There was a clear need to update the services on this site. All of the buildings needed to be brought up to modern standards as they were not delivering the outcomes required. For example, the care homes struggled to meet the required statutory standards due to their layout (e.g. lack of ensuite bathrooms). Services for people with physical disabilities were being delivered from portacabins. Many of the buildings had reached the end of their expected life and would have been expensive to modernise. This led to high maintenance and operating costs. Areas of the site had become semi-derelict and were attracting fly-tipping.

These problems with the site were addressed as part of a wider plan to improve service provision across the county. SCC developed a strategy for adult social care across all eight of the boroughs in the county. This review combined an assessment of the needs of the community with existing services and land assets. A needs analysis investigated the changing profile of the community to ensure that services could respond to current demand and future changes. It focused on identifying any gaps, issues or limitations with current services using the knowledge of service providers. A major issue to emerge was the challenge of meeting the needs of an ageing population. It was also important to assess how national policy changes (e.g. personalisation of social care budgets) interacted with the local context.

This process of engagement and needs analysis created a vision for the future of service provision in the county. At this point concept designs were used to assess how services might be delivered on each site. This focused on how to achieve the



best outcomes with available resources. The primary focus was on the needs of the community rather than buildings. Concept design was used to help partners visualise how different sites could be used to deliver services. This led on to options appraisals and feasibility analysis for each site. Business cases were developed for each site and combined to create an overall financial package which was viable. Some sites were disposed of to cross subsidise developments in other areas.

The site of Northfield village, one mile north of Stafford town centre, offered a particular opportunity to deliver services. It was relatively large and provided the opportunity to deliver a multi-purpose development on one site. There was existing housing for older people around the edge of the site which meant that these residents could also benefit from new services. The location also meant that new accommodation and services could be integrated into an existing community. Ownership of land by SCC and SDC provided the opportunity to control development on the site.

This project was initiated and developed by SCC and a range of partners were brought together to maximise the outcomes which could be achieved. The primary partners for the project were SBC, The Wrekin Housing Group, the NHS and Browning Street Medical Practice. Housing Associations were an important partner due to their understanding of housing provision and development. They provided access to HCA funding to support the delivery of Extra Care accommodation and the other types of housing delivered on the site. The group structure of the Wrekin Housing Group incorporated both development expertise through Wrekin Housing Trust and specialist care provision through Choices. Input from local voluntary sector organisations was also important to ensure that their needs were met by the project. Galliford Try Partnerships were chosen as the primary contractor for the project.

### ***Inputs, activities and outputs***

The overall costs for Northfield Village were £26.6 million. This is part of a wider investment programme across the county. SCC has contributed in excess of £40 million capital, along with land to this wider programme. Inputs from grants and project partners have increased investment in the wider programme to over £200 million. The project was delivered in two phases. Both phases are now completed and Northfield Village now features:

- 80 Extra Care apartments for over 55s.
- A specialised dementia care facility with 59 en-suite bedrooms. These are suitable for a range of ages and stages of dementia. A dementia resource hub modelled on a 1950's internal street scene provides additional services for both residents and people living in the community.
- A health centre with a GP surgery and pharmacy.
- Community Hub which incorporates a range of public spaces including café, restaurant and bar, hairdressers, shop and community rooms. This building also provides accommodation for Occupational Health and site management.
- Eight units of supported housing for people with learning disabilities based on the Extra Care model.
- 22 units of affordable general needs housing.
- 12 units of courtyard housing providing a secure environment for people with specific needs.
- A woodchip Energy Centre providing the site with heating and hot water.

- Outdoor community spaces and a public realm which links the site to the existing community. This has made the site a new focal point for the local community.

The construction costs of the project included:

- £1m for Supported Housing
- £2m for General Needs Housing
- £5m for Limewood Dementia Care Home
- £7.6m for Extra Care
- £2.3m for Health and Well Being Centre
- £2.4m for Community Hub and Public Realm
- £2m for Courtyard Housing
- £0.7m for the Energy Centre.

The funding was obtained from:

- SCC capital funding
- HCA grant funding
- Wrekin Housing Trust capital funding
- Choices Housing funding
- NHS funding
- Browning Street Medical Practice funding
- Growth Point funding
- Land contribution from SBC
- Discounted land contribution from SCC
- Other grant funding.

### ***Outcomes***

The project has only recently been completed. Evidence of outcomes are still emerging but include:

- Better accommodation for a range of vulnerable people. For example, the Extra Care housing and dementia centre are built to a high standard. The dementia centre was designed to meet University of Stirling Gold Standard. Other buildings have achieved BREEAM Very Good, Lifetime Homes, Design and Quality Standards, Building for Life Bronze and Secure by Design Section 2.
- Supporting independent living. The Extra Care accommodation is allowing residents to stay independent for longer. The accommodation for people with learning disabilities has enabled them to live independently within an Extra Care style setting. There has been a particular benefit for people with early onset dementia who can receive low level support from the specialist dementia unit on site.
- Financial savings for different partners. Within the Extra Care development revenue savings of £285,000 per annum could potentially be achieved for the Local Authority. Anticipated savings from the whole scheme may reach £2.5

million per annum when different sources (e.g. NHS expenditure) are included. This is mainly due to reducing expenditure by keeping people in their own homes for longer and decreasing the amount of care required due to onsite support. Removal of poorly performing assets, coupled with the introduction of an alternative model of ownership, creates significant revenue savings. This strategy addresses backlog maintenance liabilities, delivering an estimated reduction of £1.38 million, over a five year period. An Asset Development Plan and closure programme are delivering revenue savings. The level of these savings is estimated to be £682,000 over a five year period. This is part of wider savings delivered by the overall strategic plan for Staffordshire which could reach £4 million per annum.

- Health and wellbeing. There is early evidence that residents are benefitting from better health and wellbeing. Greater integration within the community is reducing loneliness and social isolation amongst residents. Access to activities and exercise is benefitting both health and wellbeing. Proximity of healthcare provision (e.g. GP, pharmacy) has increased access to services and reduced costs for providers.
- Better buildings for services being delivered to residents and the wider community. New community buildings provide high quality, fully accessible spaces for the provision of a variety of services and community activities. The buildings are designed to provide a range of spaces where residents can choose to engage in different ways. These range from private lounges to a public café and bar. These community hubs bring other uses (conferences, exercise classes) onto the site. This creates the opportunity for the wider community to benefit from the scheme and increases the number of activities available for residents. It has also enabled residents to be more integrated into the wider community. One resident said that they have “come back to the land of the living” after years of isolation. Vulnerable residents living next to the site are also accessing the services which have improved their opportunities considerably.
- Partners have better facilities. The community hub provides accommodation for both statutory and voluntary sector partners. Co-location of services (such as occupational health) helps with integration between and co-ordination of services. It also supports the on-going running costs of community facilities.
- Lower cost and more environmentally sustainable heating provided through the biomass based district heating system.
- Supported local employment by creating 198 full time jobs and 10 apprenticeships. The majority of jobs were taken by local people and contracts sought to add social value through the supply chain.

### ***Strengths, lessons and barriers***

The main **strength** of this project is the mixed-use approach which is delivering better outcomes than would have been possible with schemes on different sites. This includes the delivery of higher quality housing than would have been possible with private provision alone. In addition, a strategic approach to delivering services and accommodation together means that a wider range of outcomes can be considered together. Investment from multiple partners can be used to create a cocktail of funding that maximises the range of outcomes from available resources. The focus of the project is not just delivering housing units but ensuring that a range of vulnerable people are able to access better accommodation and live more fulfilled lives.

A second strength is that the project has emerged from a clear vision and wider strategic approach which seeks to meet the needs of the local community. This type of vision enables a long term view to be taken. It enables the project to be flexible in a changing political and economic environment. The vision creates a clear goal for the project but allows flexibility on how and where it is delivered. Partnerships built up through the project are a major strength. Effective working between different partners provides access to a broad range of skills and resources.

However, relationships with potential partners can also prove to be a source of difficulty. Not all organisations are used to this type of joint delivery and it can be difficult to overcome barriers between services. Partnerships require some flexibility particularly about issues such as achieving best value and aligning national policies with local needs. External challenges presented a major **barrier** to the project. There were a range of external issues that had the power to undermine the whole project. These range from planning, policy changes, funding, regulation and dealing with utilities. For example, the conditions imposed by funders can be difficult to implement in a mixed-use project managing different types of activities. It can be difficult to manage the diverse needs of a range of funders.

A range of lessons have been learned during the course of the project. **Creating strong partnerships** is a crucial but time-consuming part of the process. This starts with agreeing a shared vision for the project. Successful projects need people within each organisation with the right mix of skills who are able to communicate the vision within their organisations and turn it in to a deliverable project. Communication of the vision needs to happen all the way through the project to ensure that it is delivered. Partners need to be able to work through difficulties, obstacles and changes together as they arise. All partners need to focus on ensuring that high quality outputs are achieved. This will include monitoring the work of all contractors and sub-contractors.

Working closely with the community and, in particular, service users is crucial. For example, the logistics of moving existing residents can be challenging in a multi-phase project. This process requires regular, careful communication. Other lessons include thinking creatively to overcome obstacles. There may be occasions when there is a need to take a calculated risk to keep a project moving forward. The difficulty in building up credibility is another issue. This type of project is likely to have to overcome negativity and resistance during the early stages. It can take significant perseverance to build up a track record of credibility with communities, funders and partners.

These lessons highlight **changes** which would help similar projects. One of these is having greater clarity over the implementation of planning policy. This type of project would benefit from work at a national level to ensure the consistent application of standards and a proportionate approach to development. In relation to funding, this type of innovative project would benefit from greater flexibility. Funding guidelines and allocation for particular groups (e.g. general needs, Extra Care) may not reflect the wider benefits of combining different types of accommodation on one site.

With thanks to Phil Brenner MRICS from PJB Associates and Vanessa Smith from Staffordshire County Council and input from the Wrekin Housing Group.

## 6.5. Sheffield Housing Company Case Study

### *Summary*

- Regeneration within Sheffield is being delivered through Sheffield Housing Company (SHC), a partnership between the Local Authority, a private developer and a Housing Association.
- The sites are in areas which would not be developed without the SHC approach. Aggregation of viable and non-viable sites is a key component of the model.
- SHC are building homes in areas where no-one else will build whilst also delivering larger, higher quality homes than other private providers.
- This housing-led approach is also acting as a catalyst for wider changes to the areas including job creation, economic activity and improved amenities.

### *Background*

#### *The project*

Sheffield Housing Company (SHC) are one of the key delivery partners for the regeneration within the city. It started as part of an HCA pilot to consider the possible benefits of Local Housing Companies (LHC). In this model "the Local Authority 'invests' land in the new company and the private sector provides house building expertise and financial investment that matches the value of the land. The LHC is jointly owned, with both parties sharing the risks and benefits of the development process".<sup>66</sup> A number of local authorities expressed an interest in this approach but only two LHC have developed properties so far. These are New Tyne West Development Company (operating in Scottswood, Newcastle) and Sheffield Housing Company. However, a number of areas are still considering this type of approach.

SHC are four years into a 15 year plan to build 2,300 new homes in seven neighbourhoods. Sheffield City Council drove the development of SHC in order to deliver regeneration within the city. The shareholders for SHC are Sheffield City Council (50 per cent), Keepmoat (45 per cent) and Great Places (five per cent). Partners for SHC were chosen through a full procurement exercise. This procurement process meant that SHC took almost three years to get off the ground. The city council identified a list of sites which required regeneration. Sheffield City Council contributed this land and SHC will purchase the land on an Open Book, phase by phase basis. Keepmoat are the nominated building contractor but SHC has the option to use a different contractor if they are able to get better value elsewhere. Keepmoat are the contractor for phases 1 and 2 of the project. They also coordinate sales of the housing. Great Places are the nominated affordable housing provider, but it is also possible to use another Registered Provider if they offer better value.

#### *The area*

Areas that are now incorporated into the SHC project are predominantly former Housing Market Renewal areas that have been identified as having failing housing markets. Some of these areas have been the focus of earlier regeneration programmes including the Single Regeneration Budget which ran from the mid-1990s. SHC is working on 22 sites across 60 hectares of land throughout the city. The neighbourhoods to be regenerated through this programme include Parson

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<sup>66</sup> Homes and Communities Agency (undated) Local Housing Companies, <http://cfg.homesandcommunities.co.uk/ourwork/local-housing-companies>

Cross, Shirecliffe, Norfolk Park, Manor, Fir Vale & Granville. SHC will have a continued presence in Norfolk Park, Manor and Parson Cross over the next 15 years.

More fundamentally, the sites are in areas which would not be developed if it wasn't for the SHC approach. A number of the sites had been vacant for many years. SHC is trying to stimulate house building and regeneration in areas where the traditional market is not functioning. Private housebuilders are not currently looking to develop in most of these areas. Some of the sites are more attractive to investors than others. The packaging of sites into phases is important to deliver a profit and maintain cashflow throughout the life of the project. Aggregation of viable and non-viable sites is a key component of the model. This provides a means to deliver regeneration and new build in areas which would otherwise not be viable.

Some of the SHC sites consist of council owned land that was subject to targeted demolition through the Housing Market Renewal scheme. All sites are designated for housing development and the aim is to use and improve existing infrastructure. SHC is aiming to revive the housing market in these areas through the provision of high quality homes and a mix of tenures. These neighbourhoods could be characterised as having an unbalanced housing market, with not enough choice available to residents. This contributed to low demand and under-investment in the local economy. Sites were chosen by the City Council in areas where they wanted to deliver regeneration. The council stake also gives them some control over how the development occurs (phasing, speed etc.). They also provide land owner requirements which control the type of development which occurs. District centres were under-developed and struggled to meet the demands of existing residents. Likewise, parks and open green spaces were not welcoming places for residents to use. Typically, the areas SHC will be building in perform poorly in comparison to the rest of the city, and nationally, on the Index of Multiple Deprivation.

Norfolk Park represents one of the largest areas for regeneration in Sheffield. The area is situated one mile south-east of the city centre of Sheffield. Built in the 1960s, this council accommodation was known as the Norfolk Park estate. When they were built the central heating, bathrooms and kitchens in these properties represented a major improvement on the back-to-backs that they replaced. However, by the 1980s, the area was showing signs of decline. The poor condition of some housing stock, crime and unemployment rates meant demand for housing on Norfolk Park was low. In 1995 the area received £20m of regeneration funding to address these issues. The unpopular tower blocks and maisonettes were demolished. More popular houses which were in better condition were refurbished. A substantial consultation in 2000 led to the development of a masterplan for the area.

The situation in Norfolk Park is highlighted by the fact that:

- Lower Super Output Areas comprising Norfolk Park rank in the first and second decile on the Index of Multiple Deprivation.
- Average income in Norfolk Park was £17,776 in 2008, almost £6,000 lower than the Sheffield average (£23,500).
- Life expectancy in Norfolk Park was two years lower for males and three years for females than the city average. The mortality rate was 779 per 100,000 population (compared to 612 across Sheffield).
- Education in Norfolk Park was low with 46 per cent of people in the Arbourthorne Ward possessing no qualifications.

A similar picture is found on the Manor and in the Parsons Cross neighbourhoods.

### *Aims and objectives*

SHC aims to affect tangible physical change to the built environment, both in terms of the quality of the housing stock available to residents and the infrastructure to support this improved level of housing. The long term commitment to the area is a crucial part of this approach. Two of the key objectives are the diversification of tenure and increasing investment. For example, Norfolk Park had high levels of social rented stock. The objective was to focus on open market sales. This was designed to increase the resources available in the area and build up a group of people with a financial investment.

### *Inputs, activities and outputs*

Sheffield City Council provided land at market value but the receipt is deferred until completion of the last home. The land for phase 1 consisted of 9.5 hectares and was valued at £628,000. Across the four phases the total land is expected to be 60.7 hectares and values will be agreed for each of the remaining phases. Upfront funding for phase 1 was provided by Keepmoat. Equity was provided by Keepmoat and Great Places in order to match the value of land. The only grant for phase 1 came from the HCA affordable housing programme for Great Places to deliver 40 affordable homes (around 10 per cent of the stock). Debt for phase 1 was provided through a revolving development loan of £3 million. This was provided by the private sector partners at an interest rate of seven per cent which is available throughout the whole of the phase.

Remedial work was necessary prior to development and this was in addition to the cost of the land. This has cost £6,000 per home in phase 1. Land value is £628,000 for Phase 1. The cost of building new homes was £35 million in the development contract for Phase 1. Across the whole project, the total development contract for the 2,300 homes is valued at £290 million. There has also been investment in other environmental improvements. For example, 10 per cent of the properties have been fitted with photovoltaics at an approximate cost of £5,000 per property. In addition there has been non-capital expenditure on a range of activities such as tenant involvement and community development. SHC is carrying out intensive consultation on each housing scheme with local residents and stakeholder groups.

SHC have built 259 homes out of a total of 293 for phase 1. They plan on building approximately 2000 further homes over the course of the next ten years over four phases. Of the 293 homes in Phase 1:

- 40 are affordable rent properties
- 30 have been acquired by SCC for social rent (although this was a one off purchase).
- 223 will be available for open market sale

Phase 2 is now agreed and will seek to deliver 478 properties of which around 50 will be for affordable rent. Some of the affordable rent properties may switch to shared ownership or starter homes with the recent changes to government policy.

The project is delivering homes to a higher standard than most similar local developments. SHC homes are significantly larger than the average for Yorkshire and exceed the Technical Space Standards proposed by the government in 2015. In phase 1 these included Lifetime Homes standard and the Sheffield sustainable homes framework. This means that the homes are between 10 to 15 per cent larger than typical properties being delivered by private house builders.

SHC is seeking to strengthen its supply chain with small to medium enterprises from the Sheffield City Region. In Phase 1, £6.2m has been spent to date with local SMEs. In the main neighbourhoods of Parson Cross, Norfolk Park and Manor, SHC has built links with local schools. The aim is to support aspirations and help pupils to prepare for employment. SHC's involvement with Chaucer School is an example of the community projects that the company has undertaken. The company have sponsored a scheme called 'Class of Your Own' to boost the employability of students interested in construction. They have also paid for the creation of an on-site teaching hub for basic construction skills which is now being delivered to students. The scheme is designed to help students by giving them practical experience in the construction industry, and a real understanding of how a building firm operates.

The involvement of the City Council means that investment by SHC can be co-ordinated with other changes. This has led to the improvement of local parks, highways and education facilities. The project is co-ordinating with a citywide street works programme (delivered by AMEY) which is designed to create significant change in the visual streetscapes of these areas. SHC development is also acting as a catalyst to improve the district centres. Taken together this means that SHC developments are playing a key role in wider neighbourhood change. These changes are much wider than initially envisaged when SHC was first developed.

### **Outcomes**

- Access to different types of accommodation. The intention was to provide accommodation which would bring economically active people in the areas being developed. SHC were expecting to meet the needs of existing local residents, key workers, graduates and families with young children. It appears that most of the demand for is from local people who want to stay in the area. To date, local residents make up 79 per cent of buyers of SHC homes with 27 per cent moving less than two miles 27 per cent and 52 per cent moving 3-5 miles. Most of these households are first time buyers who had previously been renters. This suggests that there was local demand for owner occupation but there were a lack of properties to fulfil this demand.
- Increased economic activity. There is evidence that the project has increased economic activity in these areas. Owners of open market sale homes are generally economically active which is bringing income into the local communities. SHC has spent around 30 per cent of the contract value for phase 1 (£6.2 million) with SME organisations from the Sheffield City Region. The aim is to ensure that as much of the wealth creation resulting from the activity of the company remains within the region as possible. There is also job creation for local people through 30 additional posts and 31 apprenticeships, with a target of 200 across the life of the project.
- Increases in land and/or property values. Early indications show that sales values are increasing in the neighbourhoods where the company is building. The demand for properties are stimulating interest in other developable land. It is expected that SHC activity will act as a catalyst to attract additional private investment in these areas.
- Quality of housing. There is early evidence that higher quality housing is delivering a range of benefits. All properties are built to Code 3 for Sustainable Homes. This provides health benefits and reduces the risk of fuel poverty. The additional space within the homes has also been beneficial. Wheelchair accessible homes make up 10 per cent of the stock to date. People with mobility issues are able to adapt the properties (both affordable rental and owner occupation) to fit their needs. The larger and more spacious homes are seen as a key driver to help support health, wellbeing and achievement in young children.



- Resident satisfaction. Customer satisfaction surveys highly commend the homes and the service received with approximately 95 per cent positive feedback. To date only one property has been made available for resale so residents appear to be remaining within the community.
- Outcomes for partners. Each of the partners has benefitted from the development. Great Places has obtained additional stock and developed a nominations agreement with the Council. The project provides a ten year pipeline of work for Keepmoat as the contractor. In addition, the scale of the project means that it is easier to make a return on investment. Sheffield City Council benefits from New Homes Bonus receipts attached to the development. Sales from land values have not been as strong as predicted due to valuations related to mortgage lending. This has manifested in lower than expected sales values at Norfolk Park. This has been compensated by financial benefits from other sources. Taken together, the outcome from the overall package (financial and non-financial) has exceeded expectations so far.

### ***Lessons and barriers***

The greatest **strength** of this project is the ability to deliver regeneration on a scale that would not be possible otherwise. Accommodation is being provided that meets the needs and aspirations of both existing residents and the wider community. The model has been an effective means of delivering accommodation in areas where private provision alone would not have occurred. This housing provision is acting as a catalyst for wider change in the community. The **partnership has been a key strength** of the project so far. Initially, the development of the project was driven by Sheffield City Council. The commitment from all levels of the council was vital in getting the project started. Setting up the partnership took significant amounts of time and effort.

The **independence of the company** creates a space for partners to make joint decisions. As shareholders, the different partners have a regard for the best interests of the whole project. Working together in this way helps create a common bond between the partners. This has built trust but took time to develop. It is based on making sure that the incentives for all the partners are aligned - both in terms of the finances and wider regeneration aims of the project. All of the partners want to ensure that high quality homes are built and that they contribute to a successful local community. One of the **difficulties** encountered in the project was keeping track of the wider social benefits of the project. Commercial partners have been keen to provide social benefits (such as apprenticeships, training) but when work is sub-contracted this can be difficult to monitor.

Other issues that the project has encountered and learned from are:

- Valuation. Working to gain a fair valuation of the project has been difficult. There are no equivalent homes in these areas to compare against. This has led to a situation where new homes are being valued at £15,000 less than the actual sales prices. It means that SHC is effectively losing money on each plot which has an impact on the profitability of the project. The SHC business model aims to take a lower rate of return than other types of developer. SHC is looking for seven per cent rather than 15-20 per cent that most developers will seek. This means that the business model needs to achieve the right sales prices to make the overall project viable. In order to address this SHC are working more closely with valuers from an early stage of the next phases to obtain an accurate valuation.
- Upfront funding. The cost of procurement and obtaining planning permission was high. Shortening the procurement process and reducing costs at this stage

would have led to quicker delivery. SHC are in the process of negotiating a £10 million loan for phase 2 of the project. This is because SHC doesn't have any assets except land which has a low value prior to development. These constraints make it difficult to deliver development finance through traditional routes.

- Perceptions of the areas. Prior to the project there were perceptions that it was impossible to sell houses in some of the areas. The first phases have proved this wrong and removed one of the major risks for the project. The project relied on the ability to sell the properties in areas where there was not an existing market. This initial phase proves that a market exists and provides a benchmark for the prices which can be achieved in later phases.
- Scale of project. This type of project needs a minimum scale to capture interest from potential commercial partners. A project of around 1,000 units could provide a pipeline of five to ten years work which would be attractive to a developer and justify the investment in setting up a joint venture.
- Market changes. The relatively tight margins on this type of project mean that changes in the market need to be closely monitored. Threats include pessimism from valuers, movement of interest rates and changes to the mortgage market. Buyers of these properties are particularly vulnerable to shift in prices and mortgage provision. There may also be issues within the supply chain. For example, build cost inflation due to skills and materials shortages is an issue.

A number of potential solutions could help to overcome these barriers:

- Access to funding. This type of project requires flexible funding at relatively low interest rates. There may be additional support that the HCA could provide to enable funding that is accessible to this type of scheme. There are particular issues around accessing finance for remediation and site costs. This type of regeneration on brownfield land is likely to require some additional support.
- Legislative stability in terms of planning, regulation and standards would be beneficial. Change in government policy between different administrations is difficult to manage. In particular, changes to planning frameworks have caused problems and additional costs. For example, Help to Buy has been useful for this scheme as it enables local people to access owner occupation. However, it is unlikely that Starter Homes would work in this context.

With thanks to Sheffield Housing Company, particularly Tom Fenton, and Sheffield City Council.

# Appendices

## Appendix 1: Logic chains

3.HOUS - Housing growth and Improvement			
Activity categories and activity type	Activity measures (AM)	Output measures (OP)	Outcome measures (OC)
3.HOUS.A1 - New build	2.HOUS.AM1 - Hectares of brownfield land cleared by demolition and levelling	3.HOUS.OP1 - No. of new dwellings by tenure type	3.OC1 - Hectares of previously developed land that has been vacant or derelict for more than 5 years
	2.HOUS.AM2 - Hectares of contaminated land remediated	3.HOUS.OP2 - No. of new dwellings constructed to Code for Sustainable Homes Level X (where X could be, e.g., 3, 4 or 6)	3.OC2 - % increase in stock of development land (residential)
	2.HOUS.AM3 - Tonnes of Spoil Removed	3.HOUS.OP3 - No. of new dwellings constructed achieving energy efficiency over SAP X (where X could be, e.g., 75, 95 etc.)	3.OC3 - % increase in residential land values
	2.HOUS.AM4 - Hectares of land regraded		3.OC4 - house price change (by property type)
	2.HOUS.AM5 - Length of new site access and on-site roads constructed		3.OC5 - net additional homes provided
	2.HOUS.AM6 - Installation of metres of linking and on-site service networks (sewers, water supply, gas, electricity, telecoms)		3.OC6 - no. of affordable homes delivered (gross)
	2.HOUS.AM7 - Hectares of land serviced for residential development		3.OC7 - % change in tenure type
	3.HOUS.AM8 - No. of new dwellings constructed		3.OC8 - % of new dwellings built to Code for Sustainable Homes Level or locally set Environmental Standard
			3.OC9 - % of new dwellings achieving energy efficiency over SAP 75
			3.OC10 - % of new dwellings achieving energy efficiency over SAP 85
			3.OC11 - % increases in health (respiratory conditions, self reported mental health)

<b>3.HOUS - Housing growth and Improvement</b>			
<b>Activity categories and activity type</b>	<b>Activity measures (AM)</b>	<b>Output measures (OP)</b>	<b>Outcome measures (OC)</b>
3.HOUS.A2 - Improving existing stock	3.HOUS.AM9 - No of dwellings improved	3.HOUS.OP4 - Proportion of dwellings in private sector that meet the decency standard	3.OC12 - % Reduced residential turnover
		3.HOUS.OP5 - Proportion of dwellings in public sector that meet the decency standard	3.OC13 - New stock meets local affordability requirements
		3.HOUS.OP6 - Increased level of satisfaction with landlord	3.OC9 - % of new dwellings achieving energy efficiency over SAP 75
		3.HOUS.OP7 - Increased level of satisfaction with accommodation	3.OC10 - % of new dwellings achieving energy efficiency over SAP 85
		3.HOUS.OP8 - Wider range of affordable housing options for local residents	3.OC11 - % increases in health (respiratory conditions, self-reported mental health)
		3.HOUS.OP9 - Improved residential offer	3.OC4 - house price change (by property type)
		3.HOUS.OP10 - Fewer visible signs of neglect/decay	3.OC14 - % reduction in overall reported crime rate
		3.HOUS.OP11 - Enhanced economic sustainability of the area (broader base, attracting in more economically active households etc)	3.OC15 - % increase in proportion of people trusting neighbours (plus other social capital measures)
		3.HOUS.OP12 - Houses Target Hardened	3.OC16 - % increase in market value of social housing
			3.OC17 - % increase in market value of private housing
			3.OC18 - % increase in market value of estate-based commercial property
			3.OC19 - % Reduction in void rental loss
			3.OC20 - % of Programmed Repair Budgets deferred
			3.OC21 - % Reduction in average household utility bills (gas and electricity)
			3.OC22 - % Savings on ongoing property maintenance costs
			3.OC23 - Increased level of satisfaction with neighbourhood
			3.OC24 - Tenant satisfaction with landlord services improves

3. HOUS.A3 Demolition and New Build	3.HOUS.AM10 - No of dwellings demolished	3.HOUS.OP13 - No. of residents rehoused satisfactorily	3.OC12 - % Reduced residential turnover
	3.HOUS.AM8 - No. of new dwellings constructed	3.HOUS.OP6 - Increased level of satisfaction with landlord	3.OC13 - New stock meets local affordability requirements
		3.HOUS.OP7 - Increased level of satisfaction with accommodation	3.OC9 - % of new dwellings achieving energy efficiency over SAP 75
		3.HOUS.OP8 - Wider range of affordable housing options for local residents	3.OC10 - % of new dwellings achieving energy efficiency over SAP 85
			3.OC11 - % increases in health (respiratory conditions, self-reported mental health)
			3.OC4 - house price change (by property type)
			3.OC14 - % reduction in overall reported crime rate
			3.OC15 - % increase in proportion of people trusting neighbours (plus other social capital measures)
			3.OC16 - % increase in market value of social housing
			3.OC22 - % Savings on ongoing property maintenance costs
			3.OC25 - Proportion of dwellings in private sector that meet the decency standard
			3.OC26 - Proportion of dwellings in public sector that meet the decency standard
			3.OC27 - % of residents satisfied or very satisfied with their local area as a place to live
			3.OC28 - Improved residential offer
			3.OC29 - Fewer visible signs of neglect/decay
			3.OC30 - Enhanced economic sustainability of the area (broader base, attracting in more economically active households etc)

<b>3.HOUS - Housing growth and Improvement</b>			
<b>Activity categories and activity type</b>	<b>Activity measures (AM)</b>	<b>Output measures (OP)</b>	<b>Outcome measures (OC)</b>
3.HOUS.A4 Reducing Homelessness	3.HOUS.AM11 - No of Affordable Homes Constructed	3.HOUS.OP14 - No of individuals entering secure tenure	3.OC31 - Reduction in no of Homeless
	3.HOUS.AM12 - £ Payments to individuals/families	3.HOUS.OP15 - Satisfaction level with accommodation	3.OC32 - Reduction in no. of repeat presentations
	3.HOUS.AM13 - Cases of Advice to individuals/families	3.HOUS.OP16 - Proportion of individuals remaining in secure tenure after 12 months	3.OC33 - No. of households living in temporary accommodation (NI156)

## Appendix 2: Valuation of Benefit Cost Ratios

### Benefit Cost Ratios from 2010 for Housing Interventions<sup>67</sup>

Figure 6.4: Deriving the value of new build housing activity		
	Consumption benefits – private betterment minus disamenity	Production benefit from employment enabled by new housing
a) Expenditure	£5.296 billion	
b) Public sector cost per net additional dwelling	£77,427	
c) Net additional dwellings (a/b)	68,300	18,000 net additional jobs
d) Value per net additional output	£29,160 per net additional dwelling, taking into account betterment and disamenity	£35,000 per net additional job
e) Value of net additional benefits p.a. (c x d)	£1.99 billion (one-off)	£0.633 billion (build up over 3 years, duration of 30 years)
f) Present Value of benefits	£1.99 billion	£11.77 billion
g) Benefit Cost Ratio	2.6	
h) BCR based on sensitivity exercise (lower GVA per job for production benefit (£33,000) and lower benefit duration (15 years rather than 30 years))	1.7	

Figure 6.6: Deriving the value of benefits from improvements to existing housing stock		
	Consumption benefits – private betterment minus disamenity	Consumption benefit to society from improved security, safety and warmth
a) Expenditure	£1.016 billion	
b) Public sector cost per net additional dwelling improved	£17,977	
c) Net additional dwellings improved (a/b)	56,500	
d) Value per net additional dwelling improved	£2,916	PV £31,950 over 30 years
e) Value of net additional benefits p.a. (c x d)	£0.165 billion	
f) Present Value of benefits	£0.165 billion	£1.829 billion
g) Benefit Cost Ratio	2.0	
h) BCR based on sensitivity exercise (benefit duration 15 years rather than 30 years))	1.3	

<sup>67</sup> DCLG (2010) Valuing the Benefits of Regeneration, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6382/1795633.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6382/1795633.pdf)



**Figure 6.8: Deriving the value of benefits from acquisition, demolition and associated new build activity**

	Consumption benefits – private betterment minus disamenity	Consumption benefit - external benefits arising from enhanced visual amenity
a) Expenditure	£0.148 billion	
b) Public sector cost per net additional dwelling replaced	£114,105	
c) Net additional dwellings (a/b)	1200	129.7 derelict property restoration projects of 10 properties each
d) Value per net additional dwelling restored/replaced	£29,159	£322,000 per annum per 10-dwelling project
e) Value of net additional benefits p.a. (c x d)	£0.038 billion (one off)	£0.042 billion (3 year build up and 30 year duration)
f) Present Value of benefits	£0.038 billion	£0.777 billion
g) Benefit Cost Ratio	5.5	
h) BCR based on sensitivity exercise (benefit duration 15 years rather than 30 years))	3.7	