



Built Environment Committee

Corrected oral evidence: High streets in towns and small cities

Tuesday 7 May 2024

11.30 am

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Members present: Lord Moylan (The Chair); Baroness Andrews; Lord Bailey of Paddington; Baroness Eaton; Lord Faulkner of Worcester; Viscount Hanworth; Lord Mair; Baroness Miller of Chilthorne Domer; Baroness Warwick of Undercliffe.

Evidence Session No. 11

Heard in Public

Questions 173 - 184

Witness

[I](#): Patrick Melia, Chief Executive, Sunderland City Council.

Examination of witness

Patrick Melia.

The Chair: Good morning. Welcome to this meeting of the House of Lords Built Environment Select Committee. This is the 11th evidence session in our inquiry into high streets in towns and small cities. For this session, we welcome Patrick Melia, who is the chief executive at Sunderland City Council. My name is Daniel Moylan and I chair the committee. I will not introduce all the members now, but I will when they ask their questions.

The time available is fairly short, so I ask that committee members keep their questions fairly brisk, and that you, Mr Melia, keep your answers relatively short. Bear in mind that it should not be necessary normally to repeat things you have said, unless we are being particularly dim, because a transcript will be made and it will be entered in evidence, so anything you say will be entered into the evidence base. Whether it is said once, twice or three times will make no difference to that. Our first question comes from Lord Faulkner of Worcester.

Q173 **Lord Faulkner of Worcester:** Good morning, Mr Melia. It is very good to have you with us.

Patrick Melia: Good morning.

Lord Faulkner of Worcester: What do you reckon are the principal successes, or the route by which you achieved success, in improving the high street in Sunderland?

Patrick Melia: It is very important for any regeneration plan to have a very clear vision and shared understanding across all key partners of what you are trying to achieve and how you think you will achieve it. It is very much about a clear vision and making sure that that vision is supported by a planning framework and supplementary documents. Otherwise, that vision will not be deliverable.

The next thing is being very clear about how you will fund any activities you will undertake. I have seen many regeneration projects with a lovely vision but that never come to fruition because no one had a clear funding plan. It is really important that, as well as having a vision, you are very clear about the programme of deliverability and the funding that sits behind it. Then you must move quickly and at pace to deliver, using the funding against the plan.

The third thing, certainly in projects I have been involved with, is control of land and property assets. Sometimes that control can be in the sense that the local authority owns and controls the asset. Sometimes it is about the partnerships you put in place that become part of the strategic implementation plan. Whoever is involved in delivering against the project, ensuring that you have control of the key assets is important.

Q174 **Lord Faulkner of Worcester:** I assume that this progress has not been

achieved without any challenges or problems. What external challenges have you faced?

Patrick Melia: None of these projects ever comes easy. You have to have resilience, persistence—that is really important—and real belief in what you are trying to achieve. That is very important. I talked at the outset about having a clear vision. That is about the local authority creating confidence and, through that confidence, bringing other people to the table.

In Sunderland, our land values are suppressed compared with other parts of the country. That makes enabling the private sector investment that makes sites viable a real challenge. We have to use our confidence and our vision as well as public funding to create confidence in the marketplace for other people to come in behind us and invest. A challenge for us is very much how we create a market appetite in places such as Sunderland. We do that by showing that confidence but also by using some of our own public sector capital to enable sites to be taken forward.

Another challenge for an area such as Sunderland is developing long-term sustainable partnerships, but I think we have proved that once you have confidence and you have created a partnership, you can develop at pace and scale. Pace is really important.

Obviously, we have all had issues with inflation and the cost of borrowing in the last couple of years, particularly construction costs. Four or five years ago, when lots of our regeneration programme was put in place, we had created the vision and were identifying sources of funding for our projects. The whole macroeconomic picture has changed. Construction costs and the costs of borrowing have gone up considerably.

We have been required to do quite a bit of value engineering of certain projects within the overall regeneration programme. We have also had to think about the pace of our programme and to alter our timeline to take a more staggered approach, which enables us as a local authority and our private sector partners to minimise risk and exposure to inflation and borrowing costs. We have certainly seen a delay and a slowdown in some of our projects. We hope that, as the economic situation stabilises in terms of inflation and hopefully borrowing costs come down in the next year or so, we will see pace escalate again.

Another issue for us in Sunderland has been our construction market. Our local construction industry is not as strong as we would like in specialist skills. We have had some contract failure in some of our medium-sized construction companies in the north-east. That has had an impact on deliverability of projects; it has slowed them down. On two of our LUF projects, the contractor is going into administration, which brings budget pressures and delays in the project.

The final thing to reflect on is the relationship with government and the siloed approach across government departments. It is very difficult to get

commitment to long-term funding. Decision-making is very slow at national level, which impacts on our ability to get projects moving quickly. That quite often brings increased costs of projects as inflation kicks in and borrowing conditions change.

We have had some real frustration at local level in the relationship with several Governments. We are trying to build up a long-term relationship. We have worked across numerous departments, numerous different funding programmes and we feel that builds in cost. An example is having to engage with many different consultants who are completing due diligence on behalf of government, and then the requirement goes through many different boards or committee decisions to validate investment decisions. If we had a more strategic conversation with government and a change in the relationship on the high-value, large-scale regeneration projects, we could move faster and have a much bigger long-term impact on the city centre, on high streets and, therefore, on our communities.

Q175 **Lord Faulkner of Worcester:** Thank you. You have answered the second supplementary question I was going to ask, which was what has attracted the current wave of private sector investments. Is there anything else you would like to add specifically on that?

Patrick Melia: For an area such as Sunderland, a lot of it has been about personal relationships, creating confidence in the vision and being very determined. Then it is about creating the right platform for investment. What we are now demonstrating is that, because we have been successful with private sector investment, working with the support of the council, we are now attracting further private sector investment. It is just slower because of the current economic conditions.

Q176 **The Chair:** Have you developed your vision in-house or with the support of groups like the Government's High Streets Task Force?

Patrick Melia: To be honest, we have done that work ourselves. I am blessed, as chief executive of Sunderland, with having a great development team. We have a very clear vision of what we are trying to create and why we are trying to create that in Sunderland.

The Chair: But you have not drawn on the High Streets Task Force.

Patrick Melia: No.

The Chair: Thank you.

Q177 **Baroness Andrews:** Good morning, Mr Melia. You had some funding and support from Heritage Action Zones, and you have been working with Historic England. What sort of difference has that made? Are you satisfied with the strategy and how it has impacted on what you can do?

Patrick Melia: For us, the support of Heritage Action Zones has been very helpful, but it goes back to the earlier point about departments working in isolation. There is a part of the city centre that we call Sunnyside. It is important for us because it has a number of creative

industries and sectors. We have been working with the Partnerships for People and Place, in DLUHC, trying to bring forward a plan for a whole new neighbourhood. But at the same time the Home Office is trying to buy a former department store for 400 single male asylum seekers in an area that already has overprovision of hostels and HMOs. It felt as if there was one part of government trying to give us money and support to develop and regenerate part of the city, while another part of government was cutting right across that with a different priority. There is frustration about trying to help government to help itself sometimes, which is where we think we have had to go.

The other thing for us sometimes is the turnover of staff in various parts of government. You think you have an agreed plan and a way forward on a project, and then key individuals in government move on and you have to begin the conversation again. It has been quite frustrating for us. We have had the same conversation several times with civil servants from the same department; we have to go through the whole project, programme and story again.

Baroness Andrews: Have you brought that lack of co-ordination, and even the contradiction, to the attention of the departments you are working with?

Patrick Melia: Yes, I had conversations with the Secretary of State and with senior civil servants at the time. They understand our frustrations, but Ministers have their own priorities and their own issues. Quite often, Ministers from different departments cannot get that to work.

Baroness Andrews: That is a very useful illustration.

Q178 **Baroness Warwick of Undercliffe:** Welcome, Mr Melia. You have already mentioned the numerous programmes with which you have been grappling in supporting high streets and towns: the national programmes—the levelling up fund, the towns fund, the UK shared prosperity fund, the long-term plan for towns funding, high street accelerators; and specific local authority regeneration projects. What has been your practical experience of navigating all these?

Patrick Melia: It is really time consuming. Practically, on the ground for us, it creates bureaucracy, it slows the pace of investment, and makes it harder to secure private sector investment because of the complexity and bureaucracy of dealing with various government departments and various funding streams.

You mentioned a range of different programmes. In effect, all those programmes should be about the same thing: regeneration and making an impact on the high street and the city centre. But, quite often, the criteria behind each of them do not quite align. Sometimes if you get funding from one pot, you have to go to another pot to try to get match funding to help the project get across the line. Just give us a single pot of money. We could work wonders and make a real difference with a single pot, rather than having to go to various pots and try to work out how we

match them together. Then there is the accountability. It is important; we have to account for how we will spend money and how we have spent it, but you are accountable to various people, which builds in cost.

As I mentioned earlier, there is a whole bureaucracy in paying consultants, paying people to do things for government, and due diligence. Quite often, you have due diligence by different consultants on the same project, because that project is bidding into different funding streams. All that could be simplified, you could save more money and the cash could be put into proper regeneration.

Baroness Warwick of Undercliffe: Thank you.

Q179 **Lord Mair:** You mentioned HMOs—houses in multiple occupation—a little earlier. You have a thriving university in Sunderland with a large student population. Does what you have been talking about have any bearing on HMOs and the role they have in regeneration?

Patrick Melia: We suffer in Sunderland from a lack of good-quality private sector investment in student accommodation. The student accommodation that we have has been provided by the university over many years. Part of our regeneration plans, and something we hope to have in for planning soon, is new, good-quality, private sector-backed student accommodation. We have a proliferation of HMOs across the city that are not just student accommodation. Quite a few are run by private sector individuals and are of good quality and good nature, but in certain parts of our city, where we have people with mental health issues, people who are homeless, and so forth, we have a proliferation of HMOs that impact on regeneration programmes. So I am less concerned about HMOs and students and more concerned about HMOs and other parts of our population.

Lord Mair: Thank you.

Q180 **Baroness Eaton:** Good morning. The National Audit Office identified that the levelling up fund required shovel-ready projects. Did that requirement have an impact on the projects that you bid for? Will the projects that you have obtained funding for be impactful in the long run?

Patrick Melia: In my mind and in my experience, it is always good to try to have some shovel-ready projects available, where possible, to access funding. You have to be careful. It goes to the last point. Your projects have to make a difference, otherwise why apply for the funding. We have been very careful in Sunderland to make sure that the projects that are shovel-ready align with our vision and what we are trying to achieve at a strategic level for the local authority and for our population.

Quite often, you might have a number of potentially shovel-ready projects. They are not really shovel-ready until there is a funding package in place, to my mind, but we have a number of projects that are ready. It is then about understanding how that project hits the criteria for the various funding streams. We work hard. We try to think ahead. We think

in three-year cycles of plan and deliverability, and while we are delivering we are thinking about the next three years and the three years after that.

We have had LUF money for the Vaux neighbourhood, which is a real catalyst project for us. It is for a new city centre housing offer, trying to bring more people living in the city centre. Because of that, the funding we have had has helped us to bring in the private sector to deliver further developments and residential in Sunderland.

Our whole master plan has a number of residential sites. LUF is helping us create the first part of that. Now we see the private sector being interested and coming in for the future residential sites in the city centre. In another part of the city centre, the Sunnyside area, we are trying to diversify our housing offer and, as I mentioned earlier, supporting the growth of creative industries. The funding we are getting towards that will make a difference in improving the housing offer as well as supporting growth in industry in that part of the city centre.

The third programme we have had LUF for is a new housing innovation and construction skills academy. That is really important for us, because we are trying to think about how houses are built in the future, and what skills and trades will be required in housing and construction in the future, working with private sector developers to ensure that the curriculum delivered in the new college is employer-led, so that they ensure that they have the skills of the future, developing apprentice pathways, et cetera.

We see those three projects as having a significant impact on the city centre, with more people living in the city centre, and having an impact on industry in the city centre, as well as developing a future skills pipeline that will be important not just to the city but to the whole of the region as we develop new construction techniques.

Baroness Eaton: Thank you.

Q181 **Baroness Andrews:** Following up on the Heritage Action Zones point, how important is it to conserve buildings, and repurpose them, in maintaining local character, local identity and a sense of strong responsibility in and around the town centre, and the civic sense of what you are trying to build up and invest in? Is this the best way to do it? Could other things be done to give you more capacity to conserve what you have?

Patrick Melia: I certainly think there are some historic buildings that are important to our city. One, the Elephant Tea Rooms, is really important. It is something that our residents and our communities value. We have to preserve, and maintain with pride, heritage buildings where they are important to the community and where they can make an impact on our community.

I sometimes wonder if there is a cost element, in that some of our older buildings are no longer cost effective to maintain. That is a challenge. We have certainly made an effort in Sunderland to preserve and maintain

what we think are the important heritage assets of the city, but in the city centre there are some older buildings, maybe 50 to 60 years old, that are not a really important part of the heritage of the city. The earlier conversation was that they were too expensive to convert to modern-day use and are better off being demolished to put more modern buildings in place. When you do that, you have to have empathy with older historical buildings that are being maintained in the same geography.

It is about a balance of things that are important, of real cultural value, but having empathy with those when you are creating something new that will sit alongside them in the same area. You need good architectural design and a good development team around you to enable that to work effectively.

Baroness Andrews: Thank you.

Q182 **Baroness Miller of Chilthorne Domer:** Good morning. Sunderland has participated in the Government's Partnerships for People and Place. Has that resulted in any particular insights that you can think of? Has it resulted in any concrete plans for regeneration?

Patrick Melia: The programme helped to gain stakeholder engagement across the city and the part of the city that we used for it. It got us a 10-year strategy and a 10-year action plan which the key stakeholders in that part of the city got behind and understood. It is a complex part of the city because of the nature of the buildings and its deprivation. It built a conversation with government that we thought was really helpful, although, as I said earlier, sometimes you have to have those conversations again and again. That was the frustration for my team; it is the same programme and the same strategy that we developed under the partnerships programme with government, but we are having the same conversation several times because the people in government have moved on.

The key thing from it for me was that we have a strategy and an action plan and we are pressing ahead with that action plan. We will continue to have conversations with Homes England where we can allot some funding to support the strategy. There were some good parts in the programme. There have been some frustrating parts of it. Unlocking the funding and getting progress in place has been very frustrating.

Baroness Miller of Chilthorne Domer: Thank you. That is very helpful.

Q183 **Viscount Hanworth:** What have been the impacts of the changes to permitted development rights on your renewal plans? Do you feel that some of your discretion over matters of renewal has been taken away by the changes?

The Chair: You might refer to use Class E in your answer as well.

Patrick Melia: We have not had a real impact, or a real sense of it helping development at pace. We do not think it has created any real initiative or momentum by changing lots of use classes. The one bit that

frustrates us is the ability for further HMOs in parts of the city where we do not want HMOs.

Viscount Hanworth: I believe Class E combines retail and financial and professional services. Does that have much effect on regeneration?

Patrick Melia: No.

The Chair: I think he has answered that.

Viscount Hanworth: Great, thank you.

Q184 **The Chair:** Can you unpackage for me this question about HMOs? What is the bugbear about HMOs that is affecting your regeneration?

Patrick Melia: Generally, in our regeneration areas, we have low-value properties, so private landlords come in and take on those properties. The funding for those properties comes through supported accommodation moneys. People are living in those properties. They are generally on benefits, so the private sector is making money out of poor-quality housing, and that is being funded from a revenue stream from government. It makes it difficult for us to redevelop some of those areas because, if you want to redevelop the areas, you have to get control of the property and then you have to move people out from where they live. The only reason those landlords are investing in those properties is that they know they will get local housing allowance, and that gives them a return on their investment.

We have continually to look at when properties become available in the city centre when we are doing regeneration. Do we have to spend some of our capital funding to take control of buildings so that we do not have a further proliferation of HMOs supported by local housing allowance and creating a revenue stream for the landlords?

The Chair: But there are strict obligations on how HMOs are managed. You talked about poor-quality accommodation. The council is the responsible authority for enforcing those obligations. Is that something that the council could do more of?

Patrick Melia: We license those properties, but after that we take enforcement activity where we can. Our overall ability to get landlords to improve and create what I would judge good-quality accommodation is limited. We have to make sure that they comply with the law and undertake their statutory responsibilities. Until there is good-quality accommodation, it is limited.

The Chair: Mr Melia, on behalf of the committee, I thank you indeed. We have all found your evidence very illuminating and very helpful to us in our inquiry. Thank you for that.