

The road to renewal

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**The early development of the Housing Market Renewal
programme in England**

Ian Cole and Brendan Nevin



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Executive summary

In April 2002, the Government announced the creation of nine Market Renewal Pathfinders in the North of England and the Midlands. These areas all exhibited housing market weaknesses, which were evident through high vacancy rates, increasing population turnover, low sales values and, in some cases, neighbourhood abandonment and market failure. The areas experiencing these trends were often extensive and the evidence suggested that the traditional neighbourhood approach to urban policy would not be sufficient to reverse the decline. A holistic sub-regional approach to planning, economic development and housing market restructuring was required to ensure that the older urban areas could compete at a regional, national and international level.

The Market Renewal initiative has subsequently been supported by a Housing Market Renewal Fund, introduced to ensure that housing market restructuring could proceed in tandem with improvements to the environment and the economy. Initially, £500 million was made available for the first three years of the programme and this has subsequently been increased, when the Comprehensive Spending Review revealed that the Housing Market Renewal Fund will expand to £450 million per annum by 2007/08 from £290 million in 2005/06.

The Market Renewal programme has been developed at an unprecedented pace. Following increasing evidence of rapid neighbourhood abandonment during the mid-1990s in Merseyside, Greater Manchester and Tyneside, a coalition of housing organisations developed an evidence base between 1999 and 2001, which suggested that radical changes were required to the urban policy framework if neighbourhood abandonment was not to become a common feature in the older urban centres of the Midlands and the North. A bid for resources was then made to the Comprehensive Spending Review in November 2001, funding was made available by central government eight months later and, within a year of the proposal being made to the Comprehensive Spending Review, nine sub-regional partnerships had been created to develop strategies and deliver the first three-year spending programme.

This report is the first to examine in detail the origins of the programme, the scope and scale of its activity and the series of complex issues that the nine Pathfinders will have to overcome if the Market Renewal programme is to be successful.

The Office of the Deputy Prime Minister (ODPM), which administers the Housing Market Renewal Fund, has allowed the programme to develop through a highly devolved process. Market Renewal strategies have emerged without a restrictive framework being designed by Whitehall and then imposed on the target areas. This devolution of responsibility and the freedom for local partnerships to design and

implement solutions in response to local drivers of change is a distinctive feature of this programme and marks a radical change in the relationship between central government and those localities undergoing such changes.

Given that the aspiration of the Market Renewal programme is to develop a holistic approach to the economy, environment and housing at a sub-regional level, a significant step change in the level of co-ordination of urban policy and expenditure programmes both within the target areas and at the regional level will be required. Progress is being made over co-ordination, and good practice is evident, but a much greater level of strategic and operational integration will need to emerge in the Market Renewal Areas over the next two years as the increased resources allocated from the 2004 Comprehensive Spending Review become available.

A review of the drivers of change and the characteristics of the urban environment in the nine Market Renewal Pathfinders tends to validate the decision to allow local strategies to develop without an overly prescriptive framework. Although the Housing Market Renewal Fund was made available on the basis of evidence suggesting a strong connection between housing market weakness and a progressive cycle of urban decline, it has become apparent that there are different causes and manifestations of the problem in those areas experiencing the most profound changes. The larger metropolitan areas are characterised by more widespread problems of neighbourhood abandonment than the medium-sized settlements that often form part of an industrial hinterland for the major cities. However, outside the larger cities, a progressive loss of function and form can be witnessed, as the original economic rationale has disappeared and a new economic future has yet to be defined. A review of the context for each Pathfinder also reveals a significant difference in the organisational capacity of the local partnerships in terms of their ability to deliver such a large redevelopment and renewal agenda. This organisational capacity deficit is related to the history of urban policy and its traditional focus on a number of core locations, and, conversely, the relative neglect of other areas where a significant decline in the economy and local housing market has now become entrenched.

The extent to which a Market Renewal Area has been subject to previous intensive and targeted regeneration activity is reflected in the balance of the national programme from 2003/04 to 2005/06. For example, the three bids for resources received by the ODPM from the northern metropolitan Pathfinders in Manchester/Salford, Newcastle/Gateshead and Merseyside accounted for 50 per cent of the value of the bids made by the eight Pathfinders that had submitted their strategies by March 2004. These three locations were also collectively predicting that they could secure 78 per cent of the projected match funding included in the eight bids. This

reflects the extent to which other complementary public sector programmes are available and the relative success in securing private sector investment that is now evident in the Core Cities of the North and Midlands.

The OPDM has planned a commitment for working with the Market Renewal Pathfinders for a period of 15 years. The programme is therefore very much in its infancy. However, the scale of the renewal task is daunting. It is likely that the scale of clearance that the programme will seek to deliver will be around 100,000 dwellings over the lifetime of the initiative, and this will be complemented by an ambitious programme of redevelopment and restructuring. Additionally, a further 800,000 properties located in neighbourhoods that are characterised by relative or absolute decline will benefit from interventions that will support house values, reduce vacancies and provide support for the vulnerable groups that are disproportionately located in areas with declining popularity.

The Market Renewal programme has now entered a critical phase of development. It will be vital for central government and regional partners to agree and finalise the policy framework within which Market Renewal will operate up to 2019. On the basis of our review, we have set out 39 issues which we feel will need to be addressed by ODPM, local government, regional agencies and the nine Pathfinders during this process. These issues are grouped into a number of themes, summarised below.

Clarifying programme aims and objectives

There is a need for a greater degree of clarity at the national, regional and local level about what the Market Renewal programme is trying to achieve.

Diversity within the programme

The different operational contexts for the Pathfinder teams in respect of market trajectory will have to be accommodated as the programme develops. The scale of decline and capacity to deliver will need to be incorporated into the national evaluation of the programme and a review of delivery mechanisms.

The costs of market transition

The social pressures created by transitional markets are extremely difficult to manage. The revenue costs associated with the renewal process are not currently considered when central government allocates resources to local authorities. This issue will need to be addressed; however, local authorities will also have to demonstrate how they are allocating mainstream resources to facilitate market renewal.

Building capacity in the programme

There is a shortage of staff with the skills required to deliver the Market Renewal programme. It is important that nine Pathfinders collaborate, pool thinking and expertise, and develop skills and techniques in community engagement and communication strategies. The needs of the programme should be reflected in national and regional training strategies.

In recognition of the wide variation in the current level of capacity to deliver regeneration among local authorities, it is suggested that, in future, the Audit Commission should conduct an audit of capacity *prior* to the allocation of large-scale regeneration funding. This would enable a programme of capacity development to be agreed and tied into the appropriate scale of resources in a sequenced and managed way.

A multilayered process

There is a considerable body of work necessary to integrate initiatives such as the New Deal for Communities programme and Market Renewal. Additionally, there is further focus required to ensure that there is alignment between regional economic development, planning and housing strategies and the Market Renewal programme. Mechanisms will have to be developed to resolve conflict where contradictions in the public policy framework emerge.

Delivering the programme

The efficiency and effectiveness of this initiative will be greatly enhanced by greater co-operation and closer working between the government agencies that are tasked with delivering the Urban Renaissance agenda. In some cases, joint or co-located teams may be necessary. More robust linkages between the public sector and developers and financial institutions will also be vital. However, these private sector interests will expect a 'joined-up' approach from the public sector.

Monitoring market change

Unlike the clearance programmes of the 1950s and 1960s, the initiative is responding to and anticipating market change. A much more sophisticated approach to gathering intelligence will need to be developed to capture changes in aspirations, to measure the impact of interventions and to assess sub-regional market changes. Some important development work is now in process at Pathfinder level. A research management framework that encompasses ODPM, academics, regional agencies

and local government should be developed to oversee this process. The emerging national programme evaluation will provide one avenue for these links to be fostered.

From prospectuses to proselytising ...

ODPM, Regional Offices/Assemblies, local authorities and Pathfinders will need to ensure that a wide and robust form of 'ownership' of the market renewal approach is secured.

Having marked out a 'path' to market renewal, other agencies need explicit encouragement from regional and central government to follow it. Market renewal is essentially an 'outward-facing' process : this philosophy needs to be reflected in how the programme is taken forward, ensuring that regional bodies, local authorities and other housing and regeneration agencies learn more about revising their policies and priorities with perceived changes in local housing markets.

Preparing for the long term

Pathfinders are currently creating financial, legal and moral commitments up to a decade in advance, as discussions with communities affected by the renewal process proceed. Government has entered legal agreements to support schemes up to 2019. However, no explicit, long-term, forward financial commitment has been given. This approach runs contrary to previous practice with UDCs (urban development corporations), HATs (Housing Action Trusts), City Challenge, NDC (New Deal for Communities) Partnerships and the Private Finance Initiative. For confidence to be maintained, central government needs to make a statement about the scale of long-term financial commitments it is prepared to plan for.

1 Introduction

The purpose of this report is to consider some of the main strategic, intersectoral and delivery issues that have arisen during the first phase of the Housing Market Renewal (HMR) Pathfinder programme. The report also looks ahead to some challenges that will remain as the strategies for market renewal are implemented and start to make a tangible impact on communities in various parts of the Midlands and the North of England.

The past 18 months have witnessed a frenetic period of strategy development, programme review and negotiation involving the nine Housing Market Renewal Pathfinders (in Merseyside, Manchester Salford, Oldham Rochdale, Birmingham Sandwell, Newcastle Gateshead, North Staffordshire, South Yorkshire, East Lancashire, and Hull and East Riding). It might be argued that, rather than further reflection and review at this stage, it is now 'time for action'. But the innovatory and radical nature of the programme – in terms of its genesis, focus and development – has generated intense policy interest, and it was considered useful to offer some informed comments at this relatively early stage and to identify the opportunities and challenges for market renewal that are already emerging.

The original idea for this report stemmed from a review of the project jointly funded by Joseph Rowntree Foundation and the Pathfinder programme to develop a mutual learning network among those involved, in different capacities, in housing market renewal. The thinking behind this project anticipated that the radical nature of the HMR programme would test the skills, capacity and experience of all those involved in its development. The research proposal therefore sought to inform the development of the first Pathfinder strategies through an interactive process, which, in a series of seminars, would highlight common issues and challenges, and identify potential solutions to them.

It was intended to use these events as a means of building up a learning network among Pathfinders, to assess the different strengths and weaknesses of dealing with neighbourhood decline and market failure, and to produce a guide with key pointers on strategy development, planning and delivery. Three seminars have been held – on delivery vehicles, community cohesion and strategic planning. During this process, it was suggested that it would be valuable to undertake a review of the genesis and subsequent development of the HMR programme, and to identify some of the main questions for strategy, policy and delivery that had arisen so far. In addition to this focus, it was agreed that the report should offer an independent view on issues for future policy development at national, regional, sub-regional and local levels.

This report does not seek to cover similar ground to the contribution made by the Housing Market Renewal team in the Office of the Deputy Prime Minister (ODPM) or by the Audit Commission, unravelling and assessing each Pathfinder plan in turn. Rather, it uses material from these and other sources to look across the programme as a whole at common issues of strategy, planning and delivery. It derives from the perspective of one author (Nevin) who had been directly involved in launching the strategy and programme in one of the nine Pathfinders and another (Cole) who had been closely observing policy developments from an independent standpoint during this period.

Both authors have been involved in the development of the policy debate around market renewal over the past few years. Nevin was a leading member of the CURS (Centre for Urban and Regional Studies) team at the University of Birmingham that undertook much of the original research identifying markets 'at risk' across parts of the North and Midlands; he also became involved in the Core Cities 'lobby' for market renewal funding and acted as an adviser to the ODPM in the early stages of the HMR programme. Cole published one of the first reports on the responses of social housing agencies to falling housing demand (Cole *et al.*, 1999) and has been involved in several local housing market studies. Both authors were engaged as specialist advisers to the Select Committee inquiry into 'Empty Homes' in 2002, which proved influential in attracting national political attention to the incidence of 'market failure' in parts of the North of England and the Midlands (Transport, Local Government and the Regions Select Committee, 2002).

This report therefore provides a commentary on the development of the Housing Market Renewal programme to date (September 2004). It is based on a review of the Market Renewal strategies (termed 'prospectuses'), which have been submitted to ODPM, discussions with key participants in the programme and the authors' own experience in developing housing market research and renewal strategies over the past six years. We recognise that the Market Renewal programme is in its infancy and that, given its ambitious scope, it will take a number of years for the public policy framework to adapt in order to facilitate market restructuring and renewal. Given this context, the report is designed to contribute to the wider understanding of this approach to regeneration and to influence the debates about how policy should develop in the years ahead.

The resources to facilitate urban and regional regeneration have significantly increased since 1997. The Market Renewal programme is predicated on the integration of various programmes to promote a holistic approach to the renewal of older urban areas experiencing significant changes in employment, land and housing markets. The Housing Market Renewal Fund (HMRF) was therefore originally

created as the missing piece in the urban policy jigsaw (Nevin, 2001). As Annette Hastings has put it in reviewing the changing emphasis of government policy:

The reliance on short-life, special initiatives and projects appears to have been replaced by a more 'strategic' approach that emphasises the role of mainstream government and public sector activity in determining the trajectory of neighbourhoods ... the new policy advocates a 'multilevel' approach, in which the importance is recognised of governance arrangements operating at a range of spatial scales.

(Hastings, 2003, p. 85)

It is therefore implicit in this programme that, in some geographical areas, HMRF will provide the major resource input, where housing-led regeneration is appropriate. In other areas, however, the process of renewal will follow or confirm existing trends in local or regional economic development, in demographic change or in patterns of land use.

Given the multidisciplinary and multisectoral nature of the market renewal process, this report is intended for a variety of audiences. It is hoped it will improve understanding of the aims, objectives, scale and scope of the programme among local authority officers and members, especially those involved in economic development, planning and corporate strategy and service delivery. The report may also be useful to members of Regional Development Agencies, Government Offices for the Regions, Regional Housing Boards, the Housing Corporation and housing associations. Many of the dilemmas facing the programme – balancing immediate priorities against longer-term perspectives, dealing with conflicting community priorities, working through partnerships structures – will no doubt have echoes for those working in other regeneration and neighbourhood-based initiatives.

As the programme develops, it is likely that an increasing number of private sector stakeholders, both institutions and individuals, will be affected and lively debates are likely to be in prospect about the distributional consequences of intervention, the spatial impacts and the direction and focus of local strategies. These debates have been sharpened by the publication of the Comprehensive Spending Review for 2005–08 (HM Treasury, 2004b), which has allocated continuing resource support, building up to a fund of £450 million for the HMR programme by 2007–08, and which will in future allow for the full recycling of capital receipts. The Market Renewal programme will therefore have access to more than £1.5 billion of resources during the first five years of the programme, piecing together resources from HMRF, English Partnerships and the Housing Corporation. As the pace of change accelerates, the impact on both private sector interests and many local communities across the North

and Midlands of England will become more tangible, and this report may help to provide some wider context and rationale for the major transformations planned at neighbourhood level in the next few years.

Finally, this report argues that many aspects of the HMR programme are distinctive and innovative – adjectives that have often been over-used in urban policy debates in the past, but which have some credibility here, for reasons set out in the following two chapters. This report, while providing only interim observations from the early stages of a long-term policy initiative, is nevertheless intended to contribute to ongoing academic and policy debates about the changing shape, function and effects of urban policy programmes in a context of new patterns of governance, localism and community (see, for example, Cochrane, 2003; Raco, 2003).

Earlier drafts of this report were discussed with members of the Pathfinder teams, and the idea of producing an overview of this kind received an enthusiastic response. In the process of setting up the delivery mechanisms, establishing lines of accountability, estimating resource requirements, developing and revising strategies, and setting out proposals for community consultation, it is not surprising that Pathfinders have been absorbed in their own areas and priorities. This report is intended to encourage a glimpse over the parapet towards further horizons, more than two years on from the original announcement of the Market Renewal programme and 18 months on from the designation of the nine Pathfinder areas to be included in the programme. It is an independent, but hopefully constructive, summary of what has been achieved so far, while offering an informed view on the main challenges ahead, as a basis for further debate.

The report therefore sketches some of the major issues and challenges that have arisen, using illustrative examples from the Pathfinders. It should be noted at the outset that most of the case study examples are drawn from the first eight Pathfinder programmes to be approved by ODPM. The ninth Pathfinder, Hull and East Riding, had a later start and will not submit its prospectus until the end of 2004.

The next chapter looks at the concept of housing market renewal and considers the main reasons for the development of the Pathfinder programme. Chapter 3 explores the thinking behind market renewal and suggests that its assumptions differ from many previous area-based interventions in English urban policy. Chapter 4 examines some of the points of diversity within the programme, linkages with other strategies and processes of governance and community engagement. Chapter 5 identifies some of the key challenges that have emerged from the initial development of the Market Renewal strategies by the Pathfinders.

One of the more unusual aspects of the HMR programme is the extent to which the selection of the Pathfinders has been shaped by research evidence on ‘low demand’, rather than through a local authority bidding process. Chapter 6 examines how Pathfinders, now they are up and running, might monitor trajectories of change in the different sub-markets in their areas, not least to assess the impact of their own interventions. Chapter 7 outlines Pathfinders’ proposed interventions and reviews the scale of resources envisaged to deliver the first stage of housing market renewal in the eight areas where prospectuses have been submitted so far.

Housing market renewal is not based on a precise set of interventions that can be easily scoped and replicated in different contexts. The Pathfinder programme is hinged on an approach of ‘learning by doing’, building up a reservoir of skills, ideas and programmes in neighbourhoods with diverse problems and priorities. The programme is therefore expected to develop organically, as programmes are adjusted to meet changed market conditions, and as a result of Pathfinder experiences elsewhere. Chapter 8 of this report therefore contains a series of suggestions intended to strengthen future strategic development and programme delivery, and focuses on the need to strengthen links with other interventions and policy sectors. This leads on to the Conclusion. Further details on the Pathfinder areas and governance arrangements are appended for background information.

2 The development of the Market Renewal Pathfinder programme

The need for a market renewal initiative

At the time of writing, the British economy is experiencing its longest period of economic growth since the Second World War. This period of growth has been accompanied by a prolonged bout of house price inflation, which has seen house price–income ratios reach even higher levels than those that preceded the peak of the last housing market boom at the end of the 1980s. The economic impact of the current national housing shortage has recently been delineated by Kate Barker (HM Treasury, 2004a) in her report on future investment. This report concluded that the market for housing in Britain was ‘abnormal’, as the supply of dwellings did not respond to changes in price. Additionally, Barker estimated that some 120,000 extra houses would need to be added annually to the supply to ensure that, in the long term, house prices were restricted to the European annual average of 1.1 per cent real growth.

The failure of the housing market to adapt within an acceptable time frame to changes in the balance of supply and demand is a national phenomenon. One might, of course, debate what is meant by ‘acceptable’ here – one can imagine that a response from a neo-classical economic perspective would be that, in the long term, the market will simply establish a new equilibrium. The key policy question here is whether Government can simply observe from the sidelines as the social and economic costs arising from this restructuring process increase, or whether it should intervene to minimise them. And, as Keynes pointed out, in the long term we are all dead.

The housing debate in the popular media has tended to be dominated by issues of housing shortage, house price increases, the impact of new developments, planning restrictions and ‘nimbyism’ rather than issues of market failure. However, government-sponsored research four years ago had estimated that some 850,000 homes in England were affected by ‘low demand’ (Bramley *et al.*, 2000). In fact, this number is probably an underestimate, as the research was based on a methodology that asked local authorities to identify individual dwellings affected, rather than clusters of homes located in neighbourhoods experiencing decline. If this broader area-based definition is adopted, then it is conceivable that some 5–6 per cent of homes in England are currently located in areas that are at risk of market collapse.

It might still be argued that, despite this evidence, a special government initiative is not necessary, given that only one in 20 dwellings overall are affected. As stated above, it might also be claimed that the market is simply in a transitional phase,

before it eventually returns to a state of equilibrium, albeit from a new starting point. However, as the Barker Review (HM Treasury, 2004a) suggested, it is optimistic in the extreme to characterise the housing market in England as self-regulating; and many of the problems evident in vulnerable neighbourhoods are the manifestation of long-term processes of decline, restructuring and dislocation, not a temporary blip in an otherwise healthy market context.

Finally, it might be argued that a new programme is not needed given the existing array of area-based government initiatives in housing and urban renewal. For example, the Government's current agenda aims to improve service delivery through the Neighbourhood Renewal Fund, to enhance community cohesion and to make good a commitment 'to close the gap between the most deprived areas and the rest of the country' (HM Treasury, 2000). These objectives were initially reflected in the National Strategy for Neighbourhood Renewal, which sought, among other things, to turn around the incidence of low demand by 2010 (Cabinet Office, 2001). However, it became increasingly apparent that achieving this objective might be at risk unless a more strategic, sub-regional emphasis was given to public intervention. The subsequent creation of a Housing Market Renewal Fund was an acknowledgement by central government of the coalescence between areas of weak housing markets and concentrations of severe deprivation. The interaction between these processes was threatening the success of 'single-strand', locally focused interventions and might undermine the Treasury's aspirations to reduce socio-economic disparities between different regions in England.

Therefore, prior to the launch of the Housing Market Renewal programme, several factors associated with vulnerable housing markets had begun to pose sharp questions about the impact of existing government strategies, the viability of their core assumptions and the effectiveness of programmes designed to reduce social exclusion and effect urban renewal.

Residential volatility

The neighbourhoods experiencing low demand for housing also tended to be faced with residential volatility (Pawson and Bramley, 2000). There is more recent evidence to suggest that, once critical thresholds relating to vacancy rates and residential turnover have been exceeded, then the pace of neighbourhood abandonment increases (Lee and Nevin, 2003). This residential volatility has a profound impact on the demands made on local service providers and also creates significant problems in terms of neighbourhood management (Cole *et al.*, 1999).

Market failure

Since the mid-1970s, successive central government regeneration initiatives have been focused on making conditions more favourable for private sector investment. Therefore the picture that began to emerge from the mid-1990s – of wholesale abandonment, tracts of empty properties and homes that had no value at all – came as something of a shock to policy makers and politicians. However, the assumed prevalence and scale of those areas that have actually experienced market failure – i.e. neighbourhoods where no price, no matter how low, can clear the market – has perhaps exerted too strong an influence on recent debates about housing market renewal. Comparatively few areas have experienced this phenomenon; many more, however, were thought to be at risk of collapse.

Where the market has collapsed it has tended to be a rapid process. In the West End of Newcastle, for example, neighbourhoods become abandoned within a three-year period (Keenan, 1998) with properties subsequently being offered for sale for 50 pence (Blacklock, 1999). In North Manchester, an area of 5,000 pre-1919 terraced properties, vacancies increased by 40 per cent and house prices fell by 25 per cent over a five-year period (Manchester City Council, 2001). While actual market collapse has been confined to relatively few inner-urban suburbs in the North of England, 'abnormal markets' were becoming more apparent over comparatively large areas of older ex-industrial suburbs and council estates in parts of the Midlands and the North. It was the potential scale and apparent intractability of the problem that challenged the adequacy of existing urban renewal initiatives to devise an effective response.

Inefficiency in investment programmes

As the issue of changing housing demand moved to the centre stage of the urban policy agenda, the limitations of conventional small area-based approaches to neighbourhood restructuring were increasingly recognised. Many of the areas now included in the Housing Market Renewal programme had already received resources from Estate Action, City Challenge and the Single Regeneration Budget in the recent past, and some areas experiencing acute decline had been in receipt of virtually every government urban policy initiative since the introduction of the Urban Programme in 1968. The need for a fundamental review of the way in which public sector investment was being deployed in areas with weak housing markets was thrown into sharp relief with the announcement that 50 units of social housing were being demolished in the North East only three years after they were built, having never been let (*Housing Today*, 1999).

The perverse impact of economic growth

During the early 1990s, the resources available to fund housing and integrate this within a holistic regeneration framework diminished considerably, as the Estate Action programme was wound down and the Housing Action Trust (HAT) programme (in its second incarnation) was limited to six projects. The subsequent City Challenge initiative and the six rounds of Single Regeneration Budget allocations shifted resources towards skills, training and employment agendas in the belief that the previous focus on 'bricks and mortar' had neglected the competitiveness of residents who lived in disadvantaged areas (Nevin *et al.*, 1997). However, even before the end of the decade, evidence was emerging that successful economic regeneration in the absence of significant improvements to the quality of the urban environment could increase residential volatility, as residents were 'empowered' – but only to move out of the poor quality neighbourhoods they lived in (Kleinman and Whitehead, 1999).

This oscillation in policy between 'people-based' and 'place-based' programmes, and the lack of integration between housing strategy and changes in the wider economic and urban environment, became a key campaigning point for policy makers, politicians and housing practitioners. They pressed for a new programme and source of funding – and the end result was the introduction of the Housing Market Renewal Fund.

What is market renewal?

Adopting a definition of market renewal is an important building block in the process of developing a sub-regional strategy with meaningful aims, objectives and outcomes. The original submission to the Comprehensive Spending Review (explicitly) and the eight Market Renewal prospectuses (mostly implicitly) produced to date have defined market renewal as a philosophy that integrates housing, planning and regeneration strategies to produce a process of renewal that reverses the negative socio-economic trends that cause decline of housing markets within a sub-region. The approach attempts to restore choice and balance in housing markets that have become increasingly ill-suited to the preferences and aspirations of existing residents or potential incoming households.

For this approach to work effectively, it needs to nest within a framework created by a sub-regional economic development strategy, aligned with a high quality transport strategy and a positive vision for the urban environment as a whole. This broader framework allows the Market Renewal Strategy to plan for the provision of a target population and shape the urban form according to likely migration patterns, demographic change and fluctuations in income and wealth. (It might be argued that

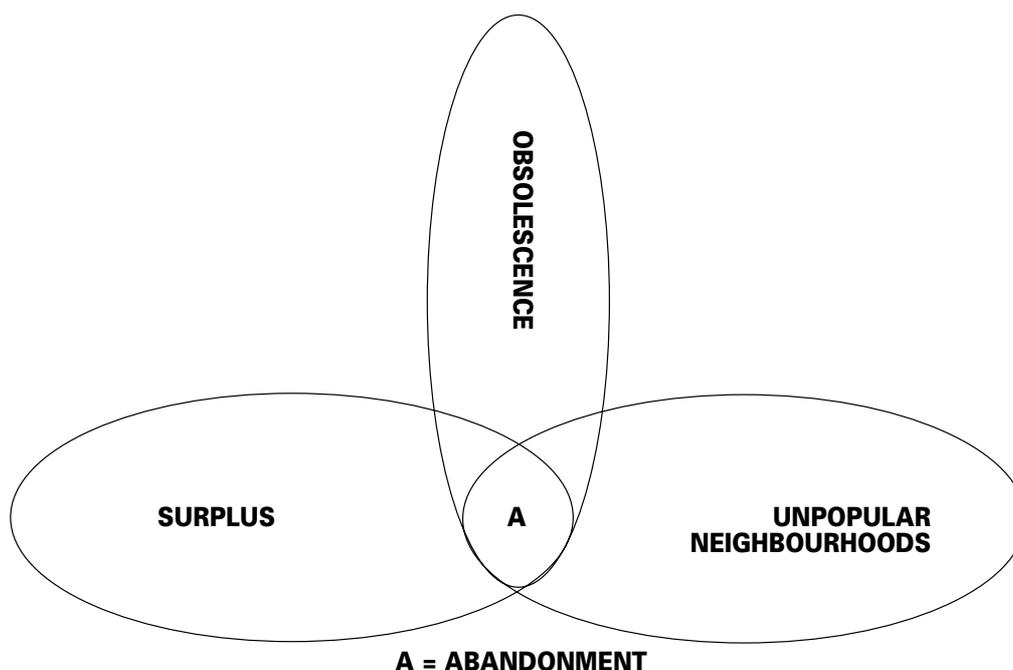
'market restructuring' is a more accurate description of this process, but the more positive sounding term 'renewal' gained currency after the publication of the Government's Sustainable Communities Plan [ODPM, 2003a].)

The change in local housing markets may be manifested through three analytically distinct processes:

- 1 *stock obsolescence* : where the characteristics of the property have been outstripped by changing tastes, aspirations and income levels
- 2 *surplus housing stock* : where underlying changes in the economic base of the area and the consequent shift in population, often through high levels of out-migration, cause a mismatch between supply and demand
- 3 *unpopular neighbourhoods* : where a range of factors, such as unpopular property design, stigma and high levels of perceived crime and anti-social behaviour, interact to reduce external demand and result in a high proportion of existing residents wanting to leave the area.

Where these three processes come together, it leads to the phenomenon of neighbourhood abandonment, the most deep-seated challenge for any programme of area-based renewal. This is represented in Figure 1.

Figure 1 Processes of housing market change



As Figure 1 indicates, abandonment is one extreme form of housing market change, as a self-reinforcing process sets in. At a sub-regional level, ODPM deemed that each of these three processes had to be present to merit interventions of the scale and nature of Market Renewal Pathfinders. However, at neighbourhood level, specific market renewal interventions may need to respond to just one or two of these processes, depending on local circumstances. Highly localised drivers determine the distribution of properties located in one or more of the categories of surplus, obsolescent or unpopular neighbourhoods, and the relationships between these factors at the neighbourhood, city and sub-regional level will determine how the problem manifests itself locally. It would therefore be entirely inappropriate for central government to set out what a renewed housing market would look like, as recently suggested by the Royal Institution of Chartered Surveyors (RICS, 2004). Localised drivers of housing market change cannot simply be wished away.

The evidence culled from a collective reading of the eight Pathfinder strategies produced to date suggests that greater clarity may be needed over how the aims and objectives of programmes supported by the Housing Market Renewal Fund (HMRF) are contributing to locally agreed reductions in surplus, obsolescence and the degree of neighbourhood unpopularity. Furthermore, it will be important for Pathfinders across the programme to be realistic about the timescales they are adopting to make progress in influencing the local drivers that are affecting market trends. Otherwise, they may be subject to premature criticism in advance of the scheme taking shape in terms of its investment programme, the extent of policy integration and impact on neighbourhoods (RICS, 2004).

Developing the evidence base on housing market renewal

In February 2001, the Centre for Urban and Regional Studies at the University of Birmingham completed the research *Changing Housing Markets and Urban Regeneration in the M62 Corridor* (see Nevin *et al.*, 2001). The report examined housing market change across 18 local authority areas and mapped areas at risk of changing demand, using indicators that appeared to be significant drivers of area abandonment and declining demand. This mapping exercise highlighted areas at risk of changing demand, which, taken together, contained 280,000 households – affecting 690,000 residents in total.

The areas at risk could be divided into three types of location: peripheral housing estates; the centre of old industrial towns; and the inner core of the large metropolitan conurbations. A clear message from this research was that, because of large-scale risk associated with multitenure neighbourhoods in the core of the older urban areas, and given the scale of the problem, a new approach to regeneration

and renewal would be needed. This research on the M62 Corridor started the debate about the need for the creation of Housing Market Renewal Areas and a Housing Market Renewal Fund to facilitate holistic regeneration in the older industrial centres.

An unusual characteristic of the M62 research was the fact that the contractor had a large number of clients, reflecting the widespread interest in understanding the dynamics of change that were adversely affecting housing providers in the North West. (The research was subsequently extended to other regions.) The large number of contributors to the study facilitated an interactive research process that enabled data and assumptions to be checked with housing providers all the way through the project. Additionally, this process allowed a swift transfer of knowledge and facilitated an effective political lobby of MPs, senior councillors and public officials to emerge at a regional and national level.

The lobby for an effective response to changing housing markets in Northern England was successful in getting the issue on to the agenda of the Transport, Local Government and the Regions Select Committee, which conducted an inquiry into Empty Homes. The ensuing Select Committee Report (2002) supported the creation of a Housing Market Renewal programme and the findings of the report were subsequently backed by an Early Day Motion signed by 54 Members of Parliament.

Prior to the completion of the Select Committee deliberations, the National Housing Federation, Chartered Institute of Housing, the Core Cities and three Regional Housing Boards commissioned a submission to the Government's Comprehensive Spending Review for 2003–06. This submission referred to a series of case studies and argued for the introduction of a Housing Market Renewal Fund of £6–8 billion over a 15-year period (Nevin, 2001). The characteristics of the market renewal approach were set out as:

- a programme to be targeted at failing or weak markets rather than local authority areas
- a strategy that would be 'tenure blind'
- a programme supported by a clear planning framework
- a funding stream that would be integrated with other regeneration funds to promote a holistic approach.

The Housing Corporation was also involved in briefing ministers in ODPM about the scale and nature of the 'low-demand' issue, and the possible impacts on the sector. This culminated in direct lobbying of the Deputy Prime Minister in March 2002.

The Pathfinder programme

The Government's response to this lobbying is summarised in Table 1. In April 2002, nine Market Renewal Pathfinders were announced, covering areas of market weakness in:

- Birmingham Sandwell
- East Lancashire
- Hull and East Riding
- Manchester Salford
- Merseyside
- Newcastle Gateshead
- North Staffordshire
- Oldham Rochdale
- South Yorkshire.

Following this announcement, a preliminary £2.66 million allocation was made to each Pathfinder from the Capital Modernisation Fund – a resource used by Government to pump-prime major long-term capital investment projects. This resource was made available to fund the following activity:

- research and other costs involved in developing the scheme
- recruitment of a development team
- early actions ('quick wins').

Table 1 The development of the Market Renewal programme

Date	Event
April 2002	Nine Pathfinders announced with the aim of tackling the most acute and extensive areas of market failure.
May 2002	£25 million allocated from the Capital Modernisation Fund to develop Pathfinder strategies.
July 2002	Spending Review 2002–05 confirmed commitment of resources to the Pathfinder programme.
February 2003	Communities Plan confirmed funding for the HMR programme of £500 million over the next three years.
October 2003	Manchester Salford HMR Pathfinder allocated £125 million for first-phase activity.
February 2004	Newcastle Gateshead HMR Pathfinder allocated £73* million for first-phase activity. Merseyside HMR Pathfinder allocated £90* million for first-phase activity.
March 2004	East Lancashire HMR Pathfinder allocated £72* million, South Yorkshire HMR Pathfinder £75* million, Oldham Rochdale HMR Pathfinder £57.5* million for first-phase activity.
July 2004	Birmingham Sandwell HMR Pathfinder allocated £50* million and North Staffordshire HMR Pathfinder allocated £34* million for first-phase activity.
July 2004	Announcement of continued support for HMR Pathfinder and other market renewal initiatives in 2005–08 Comprehensive Spending Review, building to a fund of £450 million for the year 2007/08.

* *Includes the £4 million of resources for each Pathfinder to fund the Early Action programme 2003/04.*

To receive this resource, each of the Pathfinders had to fulfil four conditions:

- agree a boundary for the Market Renewal Area with officials from the ODPM
- agree which local authority would assume the responsibility as the Accountable Body for the Housing Market Renewal Fund
- set milestones in relation to the development of the prospectus
- set up a Non-statutory Partnership Board with ‘appropriate’ governance arrangements.

Throughout the first two years of the Housing Market Renewal programme, the ODPM has adopted a non-prescriptive managerial role, which has been enabling rather than controlling. The policies relating to the programme have been developed and monitored by a Pathfinder Project Working Group staffed by civil servants, including representation from the Housing Corporation, and directors or other senior staff from the Pathfinders. The Housing Corporation also seconded a senior member of staff to work with the ODPM team in developing the programme. There have also

been meetings of Pathfinder Directors and Chairs of Pathfinder Boards, and four national conferences – three of these were mainly opportunities for Pathfinder teams to identify common themes, check progress and encourage wider networking across the programme (see, for example, Tim Dwelly in Partnership, 2004). The fourth conference was directed explicitly at elected members, to promote a wider awareness of the significance of market renewal in the context of local authority housing strategies. Where appropriate, specific policies on issues such as the development of prospectuses have also been designed by short-term task groups.

Market Renewal funds are not intended to replace existing funding streams and the ODPM has been careful to ensure that funding substitution is not integral to any of the market restructuring schemes it approves. Specifically, Housing Market Renewal funds can be used for:

- the cost of producing the Market Renewal Scheme and relevant associated staffing and consultation costs
- targeted renovation and environmental improvement grants
- acquisition costs (land and property)
- clearance of surplus and obsolete property
- associated legal and professional fees
- gap funding for housing for sale
- site preparation and reclamation
- assistance with housing association new-build/renovation programmes
- environmental improvements
- enhanced neighbourhood management service for neighbourhoods in transition and awaiting clearance.

There is an assumption by the ODPM that the revenue expenditure associated with the scheme will not exceed 10 per cent of the Housing Market Renewal Fund cost over the lifetime of the initiative. The Housing Market Renewal Fund does not operate with the flexibility to vire significant expenditure to non-housing issues. Some early critics of the programme interpreted this as a repeat of previous mistakes,

where regeneration initiatives have been too narrowly focused. However, it is a requirement for local partnerships to develop their Market Renewal prospectuses in a way that secures the integration of the Housing Market Renewal Fund with other central government funded regeneration initiatives, the programmes of the Regional Development Agency and local mainstream revenue and capital programmes. The approach is therefore consistent with the original submission made to the 2003–06 Comprehensive Spending Review, which asserted that the failure to provide a fund targeted specifically at the housing element of market renewal was undermining the other government regeneration programmes, as population movement and abandonment could not be managed within the existing public policy framework.

Progress to date

The HMR programme has been the outcome of one of the fastest moving agendas in British urban policy over the last three decades. A policy framework was designed over a 12-month period in 2001/02 through a constant dialogue between academics, practitioners, senior civil servants, MPs, and local authority elected members and senior officers. Within two years of the announcement of the creation of the HMRF, eight of the nine Pathfinders had submitted their Housing Market Renewal prospectus to ODPM. (Hull and East Riding embarked on the process of preparing the prospectus at a considerably later stage and is expected to submit by the end of 2004.) The work required to develop a prospectus is considerable, and encompasses strategic development, gaining community and political consent, and setting out programme development and delivery. The key tasks can be summarised as:

- assembly of the evidence base relating to market change
- strategic alignment of policies, programmes and spending priorities at neighbourhood, district and sub-regional level
- development of a communication and consultation strategy
- design of intervention priorities, policy tools and delivery vehicles
- delivery of an Early Action programme of physical investment and land acquisition.

All eight of the Pathfinders had received approval for their programme (with due revision and modification) by July 2004. These schemes had been subject to independent scrutiny by the Audit Commission, which was appointed to this task by

The development of the Market Renewal Pathfinder programme

the ODPM in December 2002. The Commission has now published scrutiny reports on the eight Pathfinders' prospectuses. During the strategic development phase, the Audit Commission has operated as a 'critical friend' to the Pathfinders, providing support and challenge to the local partnerships, as well as its more familiar role of 'scrutiniser'. The Audit Commission is now developing a programme of activity to encourage joint working and mutual support among those Pathfinders that have now passed through the scrutiny process. The first of this series of 'Learning Lessons' events for Pathfinders was held in July 2004.

The next chapter takes a step back from the chronology of events and explores some of the more innovative aspects of the Market Renewal programme in the context of previous area-based housing and urban policy initiatives.

3 The distinctive nature of the Pathfinder programme

In this chapter, some of the underlying features of the Housing Market Renewal Pathfinder programme are explored – the spatial nature of the programme, the emphasis on a holistic approach, processes of accountability and control, and the philosophy informing the plans for area-based interventions.

The place of space

A feature of urban policy in England over the last 30 years has been a basic uniformity of approach, driven by a broad consensus about the causes of economic decline, the process of decentralisation in residential settlement patterns and the concentration of social and economic disadvantage that has characterised the larger towns and cities. Most of these spatial policy initiatives have been scripted at central government level and focused on the 'locality' (for example as a 'priority estate', 'education priority area', 'SRB area' or 'neighbourhood renewal area'). While some programmes have had a wider reach (such as the Urban Development Corporation initiative), there has been relatively little attention to interventions at the intermediate level, between the 'national' and the 'local'.

This approach is still manifest in current policy programmes, such as the National Strategy for Neighbourhood Renewal, in which a common template has been devised for localised interventions in deprived communities across the country. The centrepiece of the programme, New Deal for Communities (NDC), has been introduced in 39 areas of broadly similar size, receiving approximately the same amount of additional resource (£50 million) over a ten-year period to mitigate the causes and consequences of social exclusion. Clearly, the context in which these NDC partnerships are operating can differ sharply, but a similar approach, and a common emphasis on community-led strategies, has been adopted for all neighbourhoods in the programme – whether they are in Plymouth, Islington, Leicester, Knowsley or Newcastle.

However, there has been increasing recognition of the need for a more sophisticated and multilayered approach in urban policy, as Duncan Maclennan has recently argued:

... effective policy design and governance has to marry local knowledge and capacities to an understanding of wider processes and policy initiatives ... an overall spatial perspective on policy is required, so that neighbourhood, city, regional and national policies are connected and complementary.
(Maclennan, 2004, p. 31)

In England, this emerging approach has been most evident in the commitment to a stronger regional tier of governance, the introduction of Regional Development Agencies (RDAs), the creation of new governance structures such as Regional Housing Boards (RHBs) and the prospect of elected Regional Assemblies in some parts of the country. This has in turn heightened interest in sub-regional partnerships and processes, whether through informal networks or more formal partnerships between local authorities or local strategic partnerships. The development of the Housing Market Renewal programme is closely linked to this new mosaic of structures and processes operating at different spatial scales.

The spatial basis of the Housing Market Renewal programme is unique in several ways, when compared to many previous regeneration initiatives. The boundaries for the HMR areas did not follow established administrative contours but were largely shaped by the scale and incidence of market failure, as identified through the raft of studies by CURS. Typically in English urban policy, local areas meriting 'treatment' of one kind or another have been identified through a combination of statistical measures (the 'arithmetic of woe'), community pressure, bid plausibility, political horse trading and local authority preference. The HMR programme was shaped according to a much more 'bottom-up' process in which the results of data analysis defined the territory, though this was then followed by local negotiations with ODPM over the precise delineations of the HMR areas.

The Pathfinder areas were therefore determined according to the prevalence of 'at risk' local markets in adjacent areas. While this approach was contested (for example, in areas such as West Yorkshire, where 'at risk' areas were more scattered) and the CURS model was itself imperfect (though a better instrument than any other around at the time), it has meant that the designation of the areas has been shaped by spatial trends in social and economic disadvantage rather than administrative convenience, and to an unprecedented extent.

There are perennial debates about appropriateness of 'scale' for area-based initiatives and HMR was no exception. The areas selected for Pathfinder status were more circumscribed than some advocates had suggested, as they had emphasised the need for a sub-regional focus and for sufficient account to be given to the potential impact on fragile markets nearby. Countervailing arguments referred to the need to concentrate energies and resources on the most difficult areas and to render the programme manageable within a specified time frame. However, the more concentrated focus does raise potentially awkward issues of displacement, for example, in sub-regions such as Merseyside, where the Pathfinder is based, in the inner core and where fragile markets towards the periphery may come under particular pressure.

The ramifications arising from the eventual designation of HMR areas have been profound, and reach across to questions of governance considered later in the report. Some of the Pathfinders straddle parts of two local authority areas, some extend across three, some across four and one across five. In strategic terms, they are pitched at sub-regional level, but in practice they have to move forward flexibly around and across different spatial levels – whether the regional, the district or the neighbourhood. The Pathfinder strategies are thus multilevel programmes of intervention lodged in the context of new structures of multilevel governance.

The focus on integration

The calls for more co-ordinated and integrated programmes in urban policy predate the recent concerns for ‘joined-up thinking’ in neighbourhood renewal by some margin. Those with longer memories may recall, for example, the short-lived Comprehensive Community Programmes of the late 1970s; and, more recently, the Single Regeneration Budget (SRB) programme was prompted in part by the desire to combine different funding streams and promote a more co-ordinated approach in area-based programmes.

The plethora of initiatives, zones and schemes that followed in the wake of the election of the Labour Government in 1997 has now been superseded by a drive to rationalise, harmonise and consolidate. The House of Commons Select Committee inquiry into the *Effectiveness of Government Regeneration Initiatives*, for example, had noted that:

... the proliferation of single-issue initiatives may lead to regeneration practitioners skewing bids to meet the criteria of initiatives, irrespective of the area’s real needs.

(Housing, Planning Local Government and the Regions Select Committee, 2003, p. 5)

Measures such as the creation of the Regional Co-ordination Unit have reinforced the message about the need to simplify and align more closely disparate policies. So the ‘stretching’ of the vertical spatial tiers of urban policy noted above has been accompanied by the horizontal ‘compression’ of area-based measures and both of these affect the nature of the HMR programme.

If it is to achieve its potential, the HMR programme will need to deliver an integrated and cross-sectoral programme from the outset. It is not an initiative that can be lightly sprinkled with the fairy dust of ‘partnership’ while continuing down a preordained path of its own making. The need for a co-ordinated approach is its

essence. The 'read across' to other sectors has to be pitched at the strategic as well as the agency/organisational level. Most importantly, although the programme concerns the renewal of local *housing* markets, it is readily acknowledged that the source of market failure is not necessarily housing-derived, but potentially covers an array of non-housing factors such as fear of crime, lack of access to transport, failing schools, labour market change and so on. While the HMR programme has a *focus* on housing market change, it does not have a housing policy 'home' from which it can emerge every so often to join up with other strategies, sectors or services.

The challenge for all HMR Pathfinders is that, while their earmarked budgets will be concerned with issues of housing stock improvement, demolition, new build, site assembly and neighbourhood management, the mainsprings for the market renewal process may lie elsewhere. 'Holistic regeneration' is therefore fundamental from the start – a *sine qua non* of the renewal process, not just a rhetorical flourish to hit the right notes in urban policy.

Achieving the desired level of policy integration at the national, regional, sub-regional, local authority and neighbourhood levels will be one of the most significant challenges facing the Market Renewal programme. Currently, much of the responsibility for achieving this rests with the Housing Market Renewal Pathfinders themselves (see Audit Commission, 2003a). Failure to integrate the Pathfinder's aims and objectives with the wider public policy framework may involve financial penalties as allocations are reviewed by Government and the Audit Commission. However, currently, the only agencies that face sanction for failure to adapt are the non-statutory Market Renewal Pathfinder Boards and, potentially, local authorities, through the Comprehensive Performance Assessment regime operated by the Audit Commission. Clearly, central government will in future need to develop a consistent approach to support the process of policy integration, while applying a more consistent pressure for change across all the public sector agencies that operate at the regional level and below.

There are difficulties inherent in changing regional and sub-regional policy frameworks (not least the uneven timescales involved). However, the first wave of Market Renewal schemes suggests that the issue is being taken seriously and that the broader policy framework is adapting to the challenges set by the Market Renewal programmes. For example, the following.

- West Midlands Regional Planning Guidance has already taken account of market renewal and will restrict the supply of housing land outside of the Major Urban Areas.

- Proposals for New East Manchester have involved all the major funding agencies in an integrated plan to develop a large swathe of inner Manchester.
- English Partnerships and Advantage West Midlands have worked closely with the four local authorities in North Staffordshire to develop a special purpose vehicle to deliver market renewal.
- The North West Regional Housing Board has required 60 per cent of its housing investment to be targeted on Pathfinder areas.
- The Housing Corporation has provided support through a major Training and Enabling Grant for the programme and has promoted sectoral representation on each of the Pathfinder Boards.
- In Merseyside, there are established frameworks to integrate the Objective 1 and Neighbourhood Renewal Fund (NRF) resources, which will assist the Pathfinder in achieving its non-housing objectives, particularly in respect of neighbourhood management.

Despite these promising examples of early wins, there is still a considerable amount of work to be done to ensure that planning, economic development and transportation strategies are aligned to support market renewal. This will require time to achieve the desired outcomes, as each of the regional and sub-regional strategies have a different process of review and differing timescales. Additionally, the review of regional strategies will need to be fully supported by central government and the Regional Assemblies, which will need increasingly to work in partnership with the Pathfinders to achieve integration. This process may take another two years to embed fully the Housing Market Renewal programme within sympathetic regional and sub-regional frameworks.

The different approach to policy making encompassed within the market renewal process was a reflection of a genuine shift in philosophy about how a partnership should be developed between central government and the locality. It was also a highly pragmatic response to a fast-moving political agenda that wished to see a practical programme of delivery being implemented in areas that were experiencing rapid change. The deployment of the Audit Commission to scrutinise the finished Market Renewal prospectus on behalf of Government has, however, introduced a rigour into the process of strategic development that has largely been absent from other regeneration initiatives, which have too often lapsed into an inward-looking and programme-focused mode. Nevertheless, the combination of the speed of programme development and the lack of formal guidance has meant that the first-

phase schemes have been submitted while the overall strategic and operational framework for market renewal is still in the development stage.

This transitional phase is illustrated in the current debate in relation to governance and delivery arrangements, where a clear trend is yet to emerge. Initial correspondence from ODPM advised the Pathfinders to create non-statutory Boards with a wide variety of (mostly) public sector interests being represented. This was not an instruction from central government, but advice passed on so that the programme could start. To date, two of the Pathfinders have expressed a desire to break with the non-statutory model – in East Lancashire, the aim is to become a company limited by guarantee, while, in North Staffordshire, there is a wish to work with Government to establish an urban development corporation. This exemplifies the fact that, while the initial programmes are being firmly established in eight of the Pathfinder areas, the underpinning structure of the programme is still quite fluid.

Autonomy, regulation and innovation

Compared to other area-based initiatives, the HMR programme has been marked by a considerable degree of latitude for individual Pathfinders and a flexibility of approach about how they should be supported by central government. As stated earlier, there was not, for example, any presumption that each Pathfinder area should receive a broadly similar scale of resources, deliver the programme in a similar way or have the same objectives. This is in sharp contrast to many other regeneration programmes that have been replete with guidance notes, templates and regulatory advice from the outset. One might compare, for example, the detailed advice from the Neighbourhood Renewal Unit (NRU) given to NDC partnerships about preparing their delivery plans with the much more succinct guidance to HMR Pathfinders on devising their prospectuses, even though this latter process required in the end a massive amount of documentation and analysis.

The extent to which it has been possible to integrate the NDC programme within market renewal in the first phase of investment varies between the Pathfinders and, in the case of Birmingham and Sandwell (which contains two NDC projects), there is a distinction within the Intervention Area. Examples where integration has started include the following.

- Greets Green NDC in West Bromwich, where HMRF resources have been programmed to assist in achieving residents' aspirations for redevelopment.
- East Manchester NDC – prior to the introduction of the HMRF, this project was integrated with a regeneration framework drawing together the development of

facilities for the Commonwealth Games, a Health Action Zone and SRB programmes. The HMRF has ensured that housing is firmly integrated within this framework.

- Kensington NDC in Liverpool has the largest housing allocation (£30 million) within the programme. It was a requirement that the local Partnership demonstrated how this local housing strategy fitted with the development of the wider housing restructuring in Liverpool, before the funding was confirmed. Additionally, the Kensington area benefited from Early Action Resources allocated from the HMRF.

HMR Pathfinders were therefore given a 'mandate to experiment' and there was a relatively light touch from the small Market Renewal team in ODPM in the early stages of developing the programme. As thinking about the programme developed, the Audit Commission became involved in the capacity of 'critical friend' to the Pathfinders, to suggest ideas, help the sharing of knowledge and information, assist in developing skills and review processes of governance and resource allocation during the preparation of the prospectuses. This again offered a point of difference from the narrower role of audit and inspection that has previously characterised the Commission's involvement.

The difference between the HMR programme and previous regeneration initiatives, however, is not just about its spatial referents or the processes involved in devising and starting to implement the programme – a contrast can also be seen in the underlying philosophy of the approach in improving the prospects of deprived communities, and this is explored in the next section.

Looking outwards and making connections

In a review of programmes in the mid-1990s to assist peripheral housing estates, Peter Hall made a general distinction between 'inward-looking' and 'outward-facing' approaches to regeneration (Hall, 1997; see also Hastings, 2003). The first type of approach tends to emphasise the dynamics, resources and priorities *within* the neighbourhood concerned; the second approach concentrates on how such neighbourhoods might be better *connected to* nearby areas of growth and economic vitality. The implications at neighbourhood level for 'outwardly focused' sub-regional strategic market assessments undertaken by Pathfinders may therefore look quite different from those derived from community consultation and discussion in resident-led and 'inward' neighbourhood renewal programmes.

The 'inward-looking' approach to regeneration will tend to give a high priority to an 'action-oriented' approach, through the appointment of new staff for the programme, a commitment to ongoing community involvement, a visible interagency presence in the neighbourhood and so on. It will focus on building up the capacity of the *existing* community through initiatives focused on developing training and skills. The need to make a clear difference to the area, often through physical changes and new investment, will be highlighted, in order to set in train, it is hoped, a virtuous circle of rising aspirations, community stability and more responsive local governance and service delivery. These objectives operate, however, within a clearly bounded geographical area, and so the impact of any programmes may be limited, or even undermined, if the problems are simply displaced to adjacent neighbourhoods.

'Outward-looking' approaches tend to operate on a more strategic plane, structuring their interventions around a future-oriented conception of the neighbourhood, so that the views and priorities of members of the existing community need to be balanced against those of households who need to be attracted into the area in the future. This approach is focused on connections – actual and potential – between the neighbourhood and other resources, services and opportunities in the wider district, city or sub-region. The HMR programme clearly has more in common with this kind of approach.

This perspective offers a more calibrated view of how much progress can be made in improving the circumstances of a specific neighbourhood if it is framed by social and economic disadvantage in the wider geographical area. This approach may be better attuned to assessing the possibilities of creating change locally given the constraints of underlying long-term trends. However, the initial strategic focus may struggle to gain support from members of the community in question, as they will understandably be more exercised about improving conditions in the here and now than in more ethereal visions of their neighbourhood in ten years' time.

Some of the tangible consequences of these differing philosophies to effecting neighbourhood change have been explored in a recent review of the links between some HMR Pathfinders and New Deal for Community partnerships, undertaken as part of the national evaluation of the NDC programme (Cole *et al.*, 2003). This study found that relationships between NDCs and Pathfinders were still at a formative stage, but, in some cases, joint approaches had already begun to develop (notably, in Liverpool Kensington, East Manchester and Newcastle). However, there was evidence of a different interpretation of the causes of urban decline and the interventions required in response. The HMR programme stemmed from an appreciation of the effects of spatially uneven economic development and the

housing and labour market dislocations that follow in its wake. NDCs, by contrast, were more focused on immediate community priorities and how internal resources could be enhanced to strengthen community dynamics and help 'reconnect' the 'excluded' neighbourhood.

Recently, a joint approach by ODPM and NRU has suggested that the Chairs of Pathfinders and NDC partnerships should be *ex officio* members of each other's Boards to help strengthen links between sub-regional and neighbourhood working, and harmonise forward planning. This is an important step in attempting to bring together these contrasting perspectives.

In many areas, it will be a major task to bring together the prognosis for a neighbourhood stemming from the application of these contrasting approaches. The prospect of considerable demolition for some parts of Pathfinder areas, for example, may crystallise these tensions – especially where such schemes include private sector properties or dwellings (in any tenure) that are unpopular but otherwise sound. A forceful justification for radical intervention at neighbourhood level is likely to be needed to carry any chance of community support. More than any other issue, demolition is likely to bring forward the contrast between 'private troubles' and 'public issues' (Wright Mills, 1959, p. 8) in market renewal – between the immediate community interest and the wider strategic imperative. We now move on to consider differences within the HMR programme, and their implications for future strategy and programme delivery.

4 Different starting points, different contexts

It was noted in the previous chapter that the Housing Market Renewal programme did not presuppose a degree of equivalence between the Pathfinders in terms of geographical size, population or local authority coverage. Diversity of context, scale, ambition and prognosis is at the heart of the programme. Pathfinders' areas also differ in terms of their recent policy history, the drivers for change, the extent of community cohesion and the coherence of governance processes. The contrasts have become clearer as the programme has progressed and they are considered in turn below.

Maturity of policy responses

As shown in Chapter 2, the issue of housing market failure was identified in a number of the Core Cities during the mid-1990s and thinking began to move forward in terms of analysis and potential policy responses. Cities such as Newcastle-upon-Tyne, Liverpool and Manchester invested heavily in research projects to help describe and understand the scale and nature of the problem. These pioneer local authorities tended to move from an analysis grounded in the familiar language of intensive estate management and tenant involvement to a more comprehensive and strategic cross-agency approach, as they followed a 'low demand learning curve' (Cole *et al.*, 1999) in attempting to grapple with the various problems that had been identified. By contrast, in areas where demand problems were only just emerging – as in parts of the West Midlands and Yorkshire/Humberside – there was a weaker corporate understanding and more limited awareness and acceptance of the problems among stakeholders – particularly local politicians.

In some areas, housing markets have been unstable for many years and the phenomenon of 'changing demand for low-income housing' has become entrenched, with an evident impact on certain neighbourhoods. The most extreme example of this form of radical market change is in the City of Liverpool, where clearance and population loss have been a feature of the urban environment for more than 20 years. Both Manchester and Newcastle Gateshead had also been developing programmes to 'remodel' parts of the conurbation for some years, as demand had steadily fallen. There are thus some areas where the scale of decline is measurable, the trajectories are more certain and the policy responses follow from the logic of what has taken place in recent years. Housing market renewal was on the agenda here well before the programme that bears its name was launched.

By contrast, in other areas, the rate of change may yet quicken and the severity of demand problems intensify, and this downward trend will need to be anticipated by proactive strategies. For example, an area such as North Staffordshire currently has a relatively small surplus of housing, but this surplus is projected to triple over the next 15 years unless remedial action is taken. The process of market restructuring is therefore at different stages in the cycle of decline, stabilisation and revival across the HMR programme so that the emphasis of interventions will inevitably vary.

Local drivers of market change

As the HMR programme has developed, it has become more obvious that changes in the market are being shaped by local factors as well as more global shifts in tastes, aspirations and incomes. These differences are critical to understanding the different policy context in each of the Pathfinder areas. This underscores the rationale for each Pathfinder to develop its own distinctive programme of intervention, rather than for common templates to be determined. Much hinges on accurate diagnosis. Some of the more significant local drivers include the following.

- *Community cohesion* : the Birmingham Sandwell Pathfinder area, for example, is experiencing rapid change in residential settlement patterns among black and minority ethnic (BME) communities, which make up more than half of the population in the area. In addition, the area is receiving a significant inflow of asylum seekers and refugees on such a scale that, if it is sustained, the original premise on which the scheme was established will need to be modified. Oldham Rochdale has devised a strategy with an explicit focus on the likely impact of their plans on community cohesion. The Newcastle Gateshead Pathfinder noted the rapid growth in the BME population in the area, although the Audit Commission scrutiny report (2004a) considered that this had not been sufficiently considered in the context of drivers of market change.
- *The condition of the stock and the physical environment* : the poor condition of the housing stock is not necessarily a major driver of changing demand and neighbourhood unpopularity – it may be a symptom rather than a cause. However, in areas such as North Staffordshire and East Lancashire, a combination of a long-standing lack of investment in the stock and widespread environmental degradation has seriously affected levels of demand. The challenge for the Pathfinders here is to assess the likely future impact of stock refurbishment compared to the wholesale remodelling of neighbourhoods.

- *Loss of function and form*: this syndrome tends to apply more to older industrial hinterlands, where the original economic rationale for residential settlement fell away some time ago, but the trend can also be discerned in some areas of the larger core cities. The extent of this transformation, often with little tangible evidence of any prospects for robust economic recovery, defines the degree of difficulty in achieving the aspirations of the Market Renewal programme. Elevate East Lancashire has devised a strategy, for example, containing plans for extensive stock clearance but with modest plans for redevelopment.
- *Failing to keep pace with aspirations*: this is often described in prospectuses in terms of an imbalance in tenure type in the area, with a preponderance of social housing and a lack of affordable owner-occupied dwellings, except where access was possible through the right to buy. Newcastle Gateshead is a good example of a Pathfinder where the bid to change the tenure profile is seen as an integral part of market renewal.
- *Metropolitan abandonment*: the larger cities have generally a stronger economic foundation than the towns and more dispersed HMR areas, and this base can provide some leverage for generating new connections to promote sub-regional growth. However, cities are historically more polarised, and there is emerging evidence from the 2001 census of increased social, economic and ethnic segmentation at the local level. Where such neighbourhoods have continued to become residualised, the social impacts have been severe, difficult (or impossible) to manage, and more likely to result in extensive abandonment. In dispersed areas, the manifestation of long-term decline is more scattered.

Clearly, the character of such problems will vary within as well as across Pathfinder areas. While all prospectuses identify the various drivers of market change, the evidence to support these claims was rarely robust and the relative weighting of different factors, and their links to proposed HMR interventions, has been more problematic.

In New Heartlands, for example, the renewal strategy is premised on population stabilisation and retention in Sefton and Wirrall, with more ambitious plans for residential growth and expansion for the city centre itself. However, the challenge for the Pathfinders is to discern the relative influence of the different drivers in different parts of the area, and to explore the exact interrelationship between them. As the Audit Commission report on the New Heartlands indicated, the difficulty of disentangling the effects of different drivers:

... will inevitably make it more difficult to justify the selection of particular interventions, to predict their likely impact on the revitalisation of housing markets in New Heartlands and to measure progress as the scheme's delivery progresses.

(Audit Commission, 2004b, para. 92)

In a similar vein, the context of significant population decline and decentralisation from the cities of Newcastle and Gateshead over the past 30 years is linked to deindustrialisation and economic decline, and exacerbated by a planning framework permitting the building of attractive housing in the rural hinterland. The forward strategy for the Pathfinder put forward in the prospectus relies on repopulation of the inner core, with proposals to create between 6,000 and 10,000 new homes over the next ten to 15 years. The failure of housing supply to keep pace with shifting household aspirations was also considered to have contributed to the decline in the housing market. At a neighbourhood level, the relative importance of these drivers of market decline has varied, with corresponding variations in the focus of interventions.

Despite this relatively robust analysis of decline in Newcastle Gateshead, the Audit Commission noted that:

- little attempt had been made to assess the relative importance of different drivers
- there was limited analysis of drivers at Area Development Framework (ADF) level
- some drivers implicit in the strategy were not addressed (at ADF level)
- and others had been completely overlooked, such as the impact of rising incomes and economic change (Audit Commission, 2004a, paras 75–7).

As a further example, East Lancashire has classified six types of key drivers of low demand across three categories – structural (economic and demographic), social (residents' aspirations and quality of life) and policy (planning and deregulation of the private rented sector). However, there is limited assessment of the relative importance of these and the interrelation between them. As the Audit Commission scrutiny report stated:

Put simply the fact that characteristics exist side by side is not in itself clear evidence of the inter-relationship between drivers. It merely confirms the co-existence of them.

(Audit Commission, 2004e, para. 98)

Pathfinders can therefore diverge considerably in the relative impact of different drivers of market change. However, the diagnosis is not always reflected in the subsequent delineation of investment priorities and key actions. In short, the need to strengthen the linkages between strategy, analysis and intervention is a recurrent theme in the scrutiny process and represents a key area for further development for most Pathfinders.

Alignment with other local initiatives and programmes

While the Housing Market Renewal Fund is hypothecated for housing purposes, market renewal is a philosophy that integrates housing, planning and regeneration strategies designed to remedy the underlying causes of decline in the sub-region. This broader framework allows the Market Renewal Strategy to plan for the provision of a target population and shape the urban form according to likely migration patterns, demographic change and fluctuations in income and wealth. The programme therefore has policy and strategic co-ordination at its core.

As suggested earlier, it is possible that some elements of the Government's approach to regeneration may come into conflict with the aims and objectives of the Market Renewal programme. The economic development strategies produced by Regional Development Agencies, for example, have tended to be promotional and upbeat in character, and focused on quite optimistic scenarios about the prospects for inward investment and economic growth. This assumption has also been evident in Regional Planning Guidance, although in some cases, such as the North West, future projections of household growth have been scaled down.

From a different starting point, many of the pre-existing programmes for neighbourhood renewal have been designed to facilitate community ownership and control of the regeneration process, and a fundamental premise of this approach is that the existing community is salvageable and sustainable. In contrast, Market Renewal strategies may need to be supported by a vision for the sub-region that assumes that not all neighbourhoods can be preserved and sustained.

There are marked differences in the extent to which Pathfinder strategies are being hatched into areas either already laden with neighbourhood-based, district-wide or sub-regional special renewal programmes, schemes and initiatives or whether they are operating in almost virgin territory. Merseyside is the epitome of the former area, North Staffordshire of the latter. The New Heartlands prospectus makes reference to the seven Strategic Investment Areas (SIAs) in Merseyside, designed to create 20,000 new jobs by 2007, to Objective 1, the Single Regeneration Budget, the Neighbourhood Renewal Fund, NHS initiatives, Sure Start, Education Action Zones,

a Local Improvement Finance Trust (LIFT) and New Deal for Communities. There is also the legacy of the Merseyside Development Corporation and City Challenge from the 1990s, not to mention the Liverpool Housing Action Trust, which has undertaken a major programme of refurbishment in the 63 tower blocks formerly owned by the City Council and is operational until 2005.

The Audit Commission report points out that, while mechanisms to situate New Heartlands Pathfinder programmes within this host of initiatives are recognised in the prospectus, it is less clear about ‘the operational detail of how and when these activities will be aligned on the ground’ (Audit Commission, 2004b, para. 55) and how the need for more joined-up interventions – a message reinforced by the mixed record of previous measures – will actually bear fruit in terms of forward programmes under HMR.

In North Staffordshire, on the other hand, the Pathfinder has inherited only one area-based initiative (the Newcastle Neighbourhood Management Initiative – budget £2 million over seven years). This gives more room for manoeuvre to the Pathfinder, but the converse is the lack of capacity, knowledge and skills locally to deliver time-limited projects with ambitious objectives. It may betoken a different kind of delivery vehicle to achieve results in a flexible time frame.

In East Lancashire, the Elevate prospectus points to a number of ways in which alignment is to be achieved: through Regional Planning Guidance, the Regional Housing Strategy (especially through the key themes of community cohesion, sustainability and renewal) and the Regeneration Priority Area status accorded to the sub-region in the Regional Economic Strategy. At sub-regional level, links have been made with the East Lancashire Partnership, which seeks to secure a consistent approach to bringing investment into the economic and housing infrastructure of the area and in the community cohesion Pathfinder. At the local level, each of the five local authorities in the HMR Partnership has developed a Housing Market Renewal Framework, which explicitly aims to identify potential synergies – strategic and operational – between the HMR programme and other existing and planned initiatives (Audit Commission, 2004c, paras 65–7). These include initiatives such as the Building Schools for the Future agenda, provision of learning and education centres through Sure Start and the Local Investment Finance Trust.

As the Pathfinders have become more established in the sub-region, there is evidence that suggests that they are becoming more integrated with regional strategies in economic development (Birmingham Sandwell), planning (New Heartlands) and housing (Manchester Salford, South Yorkshire). The move to a more thematic, cross-tenure approach to guide regional housing investment has chimed well with the approach outlined in the Pathfinder prospectuses

History of community engagement

The ability to achieve a workable degree of community consent to the proposals in the HMR prospectus is largely dependent on the nature of the existing urban policy framework. The contrasting basis of consultation across the programme can be illustrated by comparing Birmingham Sandwell with North Staffordshire. In the former, the area-based initiatives already in train have included an SRB4 scheme (Smethwick), SRB6 (Handsworth), two NDC programmes and an established town centre redevelopment programme. This means that many proposals have already been subject to community consultation and that existing mechanisms to liaise with communities experiencing change have already been developed.

The problem with inheriting this kind of mosaic of schemes and initiatives is that comprehensive policy integration is far more difficult, as the housing elements of the strategy will on occasion clash with other priorities that have existing support. In some cases, it will be necessary to think in terms of a hierarchy of interventions for areas – some short-term and ameliorative, others more far-reaching and strategic in scope and purpose. The resolution of any conflicts in approach between the HMR programme and existing neighbourhood renewal initiatives will presumably pass to sub-regional or even regional structures. However, these structures are still at a formative stage and may lack democratic accountability and public legitimacy.

Other areas, such as North Staffordshire, are much less constrained by the incursions of pre-existing programmes. The challenge here is more about raising awareness, dealing with low expectations and developing community capacities. Pathfinders can begin consultation with a ‘clean sheet of paper’, but they may also need to win over communities that are very sceptical about the prospects of positive change. The extent to which Pathfinders have involved community interests in the development of their strategies is considered more fully in the following chapter.

Governance arrangements

The different starting points for the Pathfinders have been reflected in the content of the strategies, their strengths and weaknesses, and the speed with which they have been developed. These differences have made sharing good practice particularly difficult at this stage. The local agreement necessary to secure deliverable outcomes in the required timescales, especially where a number of local authorities are involved, has caused the early stages of the national HMR programme to be marked by strong internally focused strategies and programmes, which are driven by a clear logic on their own terms but which do not always fit readily with the plethora of sub-regional and regional strategies for housing, population, land use and economic development.

The governance arrangements for the Pathfinders were set out in the prospectuses and are summarised in Appendix 2. All had delineated a core operational team and a Pathfinder Board to develop the strategy, move ahead with the programme and monitor performance. In some cases, there was an intermediate level: Birmingham Sandwell, for example, had created a Joint Executive Group at the interface of the Partnership Forum and the core team, although the structure has been revised. The Pathfinders differed in the degree to which they constituted small but self-contained teams, working alongside a network of other agencies and structures, and drawing down on expertise from a range of sources, or were 'nested' within existing local authority arrangements.

Representational arrangements also varied markedly in the prospectuses. The Elevate East Lancashire Partnership Board, for example, covered representation from five LSPs, six local authorities, the voluntary and community sectors, the health sectors, housing associations, the police and English Partnerships, with representatives from government agencies attending in an advisory capacity and a series of 'reference groups' (involving members and housing associations) to ensure wider scrutiny and involvement. The Manchester Salford, Newcastle Gateshead and Oldham Rochdale partnerships, by contrast, were lodged within just two local authorities, so that local authority representation was less diffuse.

The relationship between the Pathfinder body and the local authorities was subject to comment by the Audit Commission in scrutiny reports, especially where it was considered that the balance of responsibilities was not clear, with the implication that the Pathfinder teams may not have sufficient autonomy to develop their programme without constant recourse to one or more of the local authorities involved. It remains to be seen whether this is a temporary problem, during the 'incubation stage' of market renewal, and whether it ultimately acts as a constraint on delivery, if Pathfinder teams are constantly glancing over their shoulder, as it were, not least when sensitive issues of neighbourhood remodelling come to the fore. The position is complicated by the fact that Pathfinder Boards are not legal entities and are reliant on the constituent local authorities to take certain kinds of decision – too great a degree of autonomy would therefore simply render them powerless. A nominated local authority also acts as the banker for each of the Pathfinders.

A further point of contrast in governance arrangements lies in the formal involvement of private developers and other private sector interests. The Manchester Salford Partnership Board, for example, had secured representation from developers and private financial interests, and most other Pathfinders had some form of representation. However, it is essential again here to reflect on the context in which the Pathfinders are operating. First, a distinction needs to be made between formal

representation and actual involvement. The world of housing partnerships is replete with bodies with absentee representatives from the private sector – the developer, the private landlord, the investor. Clearly, such relationships need to be built up over time if they are to be more than paper-thin exercises in ‘inclusivity’ – it probably took the experience of market restructuring in East Manchester over several years to secure the genuine engagement of the private sector. It could be counterproductive to draft in private sector involvement elsewhere as little more than a token gesture, when there had been little history of ongoing public–private partnership to build on. Effective engagement with developers and investors will be absolutely crucial to delivering the programme, especially in those areas reliant on ambitious contributions from non-HMR funds (see Chapter 7).

Over time, the status of the Pathfinder bodies may itself change in some areas. Indeed, most Pathfinders are examining their governance arrangements as they move from the development phase into implementation. As stated earlier, North Staffordshire is seeking urban development corporation (UDC) status and Elevate is pursuing the option of operating as a limited company. Governance arrangements and operational protocols may thus continue to develop and be reshaped – much will depend, one suspects, on the progress made in programme delivery over the next two years. The quality of staff on the Pathfinder teams and Board representatives will also be significant.

Overall, this chapter has indicated that it will be essential to continue the process started by the Audit Commission scrutiny by assessing the progress achieved by Pathfinders on its own terms – i.e. on a ‘fitness for purpose’ basis – rather than the degree of conformity to an implicit model, or a uniform ‘gold standard’ of strategic and operational excellence. Direct comparisons between Pathfinders will have limited utility, though there may be broad-brush categorisations of the programme (core city, mixed urban, dispersed, etc.) that will be helpful. An awareness of this diversity in the HMR programme does, however, put a premium on Pathfinders developing their own clear aims, objectives, milestones, outputs and outcomes – in other words, making clear their ‘purpose’. Much will also depend on the calibre of the key staff in the relatively small Pathfinder teams. Rapid progress has been made in the past year, but there is still some way to go along this direction, as the following chapters indicate.

5 Developing the strategies

Preparing the Market Renewal prospectuses

Each Pathfinder is tasked with devising a prospectus to set out its future strategy. This activity has involved close liaison with the ODPM Housing Market Renewal team and the Audit Commission. The prospectuses cover contextual information, such as an analysis of the housing market, the national and local policy context, and the aims and objectives of the programme. They move on to issues such as management and governance arrangements, how progress will be monitored, output targets and resource requirements. Finally, the documents consider risks, monitoring and evaluation, processes of consultation and the more detailed description of interventions at the local level, in the form of Area Development Frameworks (ADFs). There are, for example, four ADFs for Manchester Salford, seven for Transform South Yorkshire and four in Oldham Rochdale. Further details on ADFs were appended as discrete reports by some Pathfinders.

In many cases, Pathfinders adopted a matrix approach – cross-cutting themes for market renewal are thus overlaid on the neighbourhood plans to provide a rationale for the programme as a whole. In Oldham Rochdale, for example, Pathfinder-wide strategic programmes are developed on community involvement, neighbourhood management, environmental improvement, community safety, private sector housing support, economy and employment, and education. The intention here is that these strategic programmes will:

- integrate HMR with other key regeneration and development programmes
- recognise that the ‘physics’ of physical restructuring needs to be complemented by the ‘chemistry’ of individual and community support
- help to develop holding strategies for neighbourhoods awaiting intervention
- enable the Pathfinder to add value to, and pump-prime, funding from other sources.

The prospectuses are statements of intent and vary in terms of emphasis, detail and focus. Some refer in detail to the track record of successful large-scale regeneration programmes carried out in the locality, others examine the sub-regional context, while others concentrate more on the actual programme, operational arrangements and forward planning. The prospectuses form the basis of the scrutiny process with the Audit Commission and the recommendations of the ensuing report are then brought into revised plans. While the prospectuses contain a wealth of detail, they provide a guide to future activity rather than a firm template. This should be borne in mind when the discussion in the next three chapters draws on this evidence base.

This is especially pertinent to the HMR initiative, where the capacity to adapt to changing circumstances is a hallmark of the programme. The prospectus is a guide, not a blueprint.

‘Acknowledging diversity’ in strategy development

The *Communities Plan* (ODPM, 2003a) and the *Northern Way* (ODPM, 2004b) documents suggest that central government is starting to develop regeneration initiatives that reflect the different economic and planning issues faced by different regions in England. There is, however, still a need for a firmer appreciation of the differences that exist between the Core Cities of Liverpool, Manchester, Newcastle, Sheffield and Birmingham, smaller cities/large towns and more dispersed areas formerly concerned with primary extractive industries. Market Renewal Pathfinders span all three types of area and the prognosis for renewal may look quite different in each context.

From the outset, central government has been clear that Pathfinders must devise their own strategies appropriate to local circumstances and the process of scrutiny of prospectuses by the Audit Commission has pointed out that there is not – implicitly or explicitly – any uniform yardstick against which Pathfinder strategies are being measured. Nevertheless, HMR is a distinctive programme in its own right, and with its own logic, form of delivery, budget and mode of operation. It will be important to preserve an appreciation of these marked differences in context across the Pathfinders as post-prospectus interventions are developed. It will be important for ‘shared learning’ not to be reduced to simply following the pack, or seeking to transfer lessons wrenched out of context.

The Core Cities, for example, have been the focus of successive government regeneration initiatives, partly as a result of effective lobbying, and during the last quarter of a century these local authorities have adopted economic development strategies based on new knowledge-based industries, financial and professional services, and the centralisation of specialist retail and leisure facilities. In tandem with the development of these growth strategies, partnerships and governance structures that can facilitate major change at the community level have been developed, and a cadre of experienced officers who can deliver the programmes that support the regeneration of the sub-region has emerged.

In contrast to the Core Cities, smaller cities and towns, and especially the older industrial hinterlands, have little experience of delivering major change, tend not to have robust economic development strategies in place, and often struggle with acute social cohesion and governance issues. Additionally, there is a shortage of the

skilled regeneration professionals necessary to ensure the successful completion of projects. There is often no effective strategy to support the development of capacity in these areas. The loss of economic function, the collapse of the urban infrastructure and the more testing prospects for inward investment in places such as North Staffordshire and East Lancashire raise issues about thinking through the 'catch-up' costs of regeneration, particularly in relation to transportation and environmental improvement.

In the case of transport, it currently takes more than a decade from the design of a scheme to access public sector funding for major transport infrastructure and transportation schemes have not been factored into the market renewal process. A similar gap in provision concerns the need for large-scale environmental improvements that will result from the decommissioning of land in areas with weak economies and limited prospects for household growth. Currently, there are relatively few funding streams available for the 'greening' of such areas, as no tangible growth-related outputs or revenue returns are derived from such activity.

These national deficiencies in the public policy framework pose a considerable threat to the success of the Market Renewal programme in the smaller cities and older industrial hinterlands, especially as they are already struggling in a climate where managing major special funding schemes and developing cross-sectoral working, strategic and project development skills and proactive governance regimes are all still in their infancy. These threats are reinforced by challenges to the co-ordination and coherence of public policy at the regional level – issues outlined later in the chapter, using the North West region as an example.

Risk assessment and management

Risk assessment and risk management form part of all the prospectuses. Apart from anticipating more obvious risks (an economic downturn, rising interest rates, etc.), other risks arise as a result of the potential indirect effects of 'positive' change. One such issue is the interaction between economic renewal and patterns of household migration. The Audit Commission report on New Heartlands, for example, points out that the assumption that employment growth will increase owner-occupation levels locally is not substantiated and suggests that it might simply provoke out-migration:

... it can be argued that increased employment and income levels in themselves would give people in the Pathfinder area better opportunities to move out to what might be regarded as more desirable areas.

(Audit Commission, 2004b, para. 81)

A similar lack of attention to the interaction between economic renewal and patterns of household migration is noted in the scrutiny report of Newcastle Gateshead:

Regional economic performance is omitted, even though the submission identifies weak economic performance as an underlying reason for outward migration.

(Audit Commission, 2004a, para. 122)

The Audit Commission also suggests that the nature of the relationship between the out-migration of economically active households and future housing demand merits more treatment in other submissions, such as East Lancashire's.

Other risk factors may arise if particular interpretations are placed on contextual factors, when alternative judgements may be equally plausible but are overlooked. Thus, in Newcastle Gateshead, the Audit Commission pointed out that:

In the North central area, the presence of major manufacturing industries is seen as an opportunity, without any explanation of the potential negative impacts. Similarly, the proximity of neighbourhoods to the city centre and major arterial routes is presented as a positive driver, when this may in fact deter potential residents.

(Audit Commission, 2004a, para. 75)

It may be useful to consider categories of risk against the recent guidance from ODPM to the Pathfinders about success criteria for the programme, listed as:

- achieving balanced housing markets within a flourishing sub-regional economy and competitive region
- achieving transformed neighbourhoods within the Market Renewal Area
- building partnerships that have added value and made a permanent difference
- achieving an identity, image and culture to be proud of.

This makes it clear that risks need to be considered well beyond narrow economic parameters – covering other issues such as interagency communication failure, or social divisions, or increasing anti-social behaviour. These risks do not necessarily fall within the purview of the Pathfinders – but they are all essential to the eventual impact and success of the planned programmes.

Adjacency effects

Issues concerning those twins familiar to students of area-based initiatives – displacement and ‘spillover’ – are covered in the Pathfinder prospectuses. Clearly, the external effects of market renewal will require close and continuing scrutiny, though which body is best placed to take the lead on this is an issue open to debate. There are some systems in place. The New Heartlands prospectus, for example, refers to a ‘housing concordat’ of the five local authorities in the sub-region together with Halton in partnership to concentrate future housing development in the Pathfinder areas and restrain, where necessary, development outside. This would be modelled on the existing Merseyside Inward Investment Concordat concerned with sub-regional trends in economic development. However, the Audit Commission report points out that:

... it is not clear exactly how or when this strategy will be put in place or whether it has the support of non-Pathfinder Merseyside local authorities.
(Audit Commission, 2004b, para. 62)

Certainly, continuing concerns have been expressed about the interrelationship between the ambitions of the Pathfinder programme and the future health of housing markets on the outer ring of the Merseyside conurbation.

The New Heartlands prospectus also notes the extent to which Regional Planning Guidance has been revised to be consistent with the underlying strategy of repopulating the inner urban core, but the reaction of non-Pathfinder local authorities is not recorded. As the Audit Commission has indicated, the large-scale voluntary stock transfers in Knowsley and South East Liverpool may have an impact on migration patterns, following on from the additional investment in the social housing stock consequent on transfer.

One important element in housing market change will be the extent to which the recent ‘boom’ in city centre markets – through variants of ‘loft apartment living’ – will roll out to the inner core of neighbourhoods surrounding them (Liverpool being a case in point). Adjacency effects will be felt *within* the Pathfinder areas, as well as with adjoining neighbourhoods. The Audit Commission, for example, suggested that the ambitious plans for the West End of Newcastle, to create a ‘world class urban village’, had failed to take sufficient account of the risk that it might drain demand from other parts of the Pathfinder area (Audit Commission, 2004a, para. 95).

Adjacency effects have a particular force in the North West. The four HMR Pathfinders within this region contain approximately 400,000 dwellings, all located within a 35-mile radius of the centre of the Greater Manchester conurbation. In the

short term, any lack of integration between the Pathfinder strategies is unlikely to have a detrimental impact on the operation of the regional public policy framework or on the regeneration of the major urban areas. However, in the medium term and beyond, a series of issues is likely to arise that will require a co-ordinated intergovernmental approach to ensure a satisfactory outcome. These issues include the potential tensions between planning policies towards Market Renewal Areas and Travel to Work Areas (TWAs); the possibility of Pathfinders developing marketing strategies that involve them competing with one another for mobile residents; and the wider impact that Pathfinders may have on one another, and also on other weaker housing markets, such as Bolton, Tameside, St Helens, Knowsley, Runcorn and Skelmersdale.

It would be unrealistic to expect Pathfinders themselves to manage the co-ordination of the four programmes within the sub-region, but the new Regional Housing Boards established in 2003 have not been directly tasked with managing the Housing Market Renewal programme. The programme is the responsibility of the HMR team in the Sustainable Communities Directorate in ODPM. In the North West region above all, there will be a need to harmonise the allocation of regional housing investment with the priorities of the HMRF and ancillary funding directed to the Pathfinder areas.

As stated in the previous chapter, the success of housing market renewal will critically depend on its relationship to the economic restructuring of the region and the spatial implications of these dynamics of change. This is epitomised by the prospects in the North West, where there are two significant growth corridors: an East–West axis based around knowledge-based industries in Liverpool, Warrington and Manchester; and a North–South axis between Warrington and Preston, supported by the provision of large development sites and improvements to the West Coast Main Line and the M6.

While patterns of economic growth in the North West are significantly influenced by market forces, whether at global, national, regional and local levels, the location of growth nodes is amenable to some public sector influence and control, as in the Strategic Sites programme of English Partnerships. Until recently, this has reinforced the North–South rather than ‘M62’ growth axis where three of the HMR Pathfinders are situated. Five of the seven strategic sites are aligned with the M6 motorway and these sites are of such a scale that their development will alter the pattern of employment and residence in the region. For example, one of the English Partnerships’ sites near Preston is releasing nearly 400 acres of land for housing development – and this is less than a half-hour drive from the East Lancashire Market Renewal Area.

Recently, there are signs of a shift in thinking about the shape of future growth, as indicated in the publication of *The Northern Way*. This referred to a growth corridor across all three regions in the North: via the M62 Liverpool–Hull axis and the A1 Doncaster–Newcastle axis. This covers five of the HMR Pathfinders. At the moment this remains an aspiration rather than a fully developed strategy. But it does underline the need for a transregional approach to managed growth as well as an intraregional framework. However, the policy challenge rarely lies in identifying growth areas – indeed, they can proliferate as statements of benign intent. Far more awkward is the converse – where growth is unlikely to occur, because of unfavourable conditions for investment, planning constraints, environmental degradation, poor infrastructure and so on. The acknowledgement that the stabilisation of decline is the most that can be hoped for is a much tougher policy choice.

The questions of programme co-ordination between central government, the Regional Assembly, the Government Office for the Regions, constituent local authorities and agencies with a national remit, such as the Housing Corporation and English Partnerships (EP), will be thrown into sharp relief in the North West. While there has been growing awareness at local authority level, for example, of the need to couple market renewal plans with the release of development land elsewhere, this interaction has not always been sufficiently recognised at the sub-regional level and above. However, in recent months, there have been signs of positive change in the North West.

Processes are now in place to co-ordinate forward planning more effectively – in both the nominated HMR areas and other ‘at risk’ districts not covered by the Pathfinder programme. The Pathfinder areas have been accorded priority in the Regional Housing Strategies and Regional Planning Guidance has begun to limit new-build planning permissions. The Government Office for the Regions and the Housing Corporation also co-ordinate a regional agencies’ meeting involving the four Pathfinders, the North West Housing Forum, the Housing Corporation, the Northwest Development Agency (NWDA) and English Partnerships. The experience of these kinds of networks will bring important lessons for the other three regions that contain HMR areas, even if the adjacency issues there are not quite as stark.

Thinking strategically, acting flexibly

In terms of the distinction about regeneration programmes made in Chapter 3, the above observations about developments in the North West, the most crowded region in terms of market renewal, underline the need for the ‘outward-looking’ emphasis in the Pathfinder programme to be maintained and indeed strengthened. As the

Pathfinder programmes move off the drawing board and into the neighbourhoods, the vitality of the various networks and partnerships will be put increasingly to the test. At the same time, the forward programme will have to retain room for manoeuvre – even the boundaries of the intervention areas may need to be reviewed. Markets can change quickly and apparently unpredictably if the impact of the external environment is neglected because of self-absorption in the delivery of ‘the programme’. It is a lesson that has often had to be learned in the history of regeneration programmes – and it will be critical to ensure that the lesson is still heeded at the next stage of the HMR programme. In the next chapter, ways in which such market changes can be tracked will be considered.

6 Mapping the course of housing market change

Identifying areas 'at risk'

Chapter 2 showed how the Market Renewal programme was significantly influenced by the range of research studies undertaken by the Centre for Urban and Regional Studies (CURS) at the University of Birmingham. This research looked at the local incidence of the national trends that were causing changes in levels of housing demand. It developed a spatial methodology based on a 'risk' index, which for the first time highlighted the urban concentrations of vulnerable neighbourhoods. The use of Geographic Information Systems (GIS) to provide visual illustrations of variable demand at the local level attracted the interest and involvement of policy makers and politicians. At the city and sub-regional level, the research also highlighted the speed of change and the multifaceted nature of the drivers of this change.

The CURS research studies helped to highlight the weaknesses in existing urban policies and suggested that the narrowly conceived responses, such as intensive local management or new housing allocation methods, would fail to grapple adequately with the underlying structural problems. The research studies did not, however, provide a comprehensive evidence base about market change.

- They were essentially snapshots, and in some cases inevitably reliant on rather outdated information; they could not capture trajectories of change in different types of neighbourhoods.
- They tended to rely on secondary material, with some reference to the views of key stakeholders but relatively little attention given to residents' perceptions, preferences and aspirations in the housing market.
- They did not suggest how a typology of vulnerable areas could be constructed to distinguish between varying neighbourhood circumstances and link them to different kinds of policy responses.
- They did not always capture specifically *local* drivers of change – such as land conditions, quality of stock, accessibility, crime levels or environmental degradation.

It is of course arguable whether it will ever be feasible to construct a predictive model of housing market change; what is less open to debate is the sense that most current analysis simply examines the *legacy* of market change, rather than keeping pace with the shape and direction of such trends and identifying the key drivers of change.

Most Pathfinders paid considerable attention to data sources in the prospectuses, but, in some areas, the approaches of the constituent local authorities varied considerably. New Heartlands, for example, was generally credited by the Audit Commission for its use of neighbourhood statistics, data from CURS studies and from consultants' reports, but it proved more difficult to draw together this information for the area within the Pathfinder boundaries. There were more sources of data available for inner Liverpool, for example, than those parts of the Wirral falling within the Pathfinder area. In most cases, the 'baselines' for the Pathfinder areas *per se* were still fairly hazy.

Many Pathfinders have developed sustainability indices for neighbourhoods, often prior to the development of Market Renewal programmes. In New Heartlands, for example, it is planned to extend the LAMP (Liverpool Asset Management Project) system – an approach using 13 different indicators to assess the health of neighbourhoods – to Sefton and Wirral. The Audit Commission also commended Newcastle Gateshead for their 'Vitality Index', described as:

... an excellent approach to the analysis of neighbourhood well-being, covering a range of indicators likely to affect confidence in the housing market.
(Audit Commission, 2004a, para. 30)

The Index was developed initially by Newcastle City Council in 2001 and has recently been adopted by Gateshead as well. The housing indicators in use are relatively limited at present and the Commission suggests that they should be extended to include turnover, tenure and indicators derived from soft data, but the Index has the capability to allow for trend analysis, thematic mapping, analysis of the relative importance of different drivers, comparison with other areas, and analysis at both neighbourhood and wider geographical area level.

In the scrutiny process, the Audit Commission placed as much emphasis on access to ongoing trend-based data as on comprehensive coverage of market conditions before the Market Renewal programme was launched. This emphasis reflected the fact that it was the phenomenon of *changing* demand, often with different consequences for different tenures or property types within a neighbourhood, that had posed a bigger challenge in weaker housing markets than long-term, but steadier, processes of decline. And, in many cases, trend-based evidence in HMR areas fell far short of the standard needed to devise appropriate interventions.

Overall, HMR prospectuses have been stronger on analysis of large-scale administrative data collected on a borough-wide basis and weaker on collecting and interpreting data on migration trends, 'softer' indicators on perceptions and

aspirations, and adjacency issues. This renders the task of assessing the shape of the neighbourhoods in the future quite problematic: much is therefore focused on an extrapolation of current trends, rather than scenario building and risk assessment. The picture differs from one area to the next. The Audit Commission, for example, commented positively on Elevate's proposals attempting:

... to strike a balance between protecting and enhancing conditions for existing residents and creating a climate which it is hoped will encourage people from the outside the area to live, work and invest.

(Audit Commission, 2004c, para. 126)

In many cases, Pathfinders and local authorities may be drowning in oceans of information while lacking the analytical capability to shape a response. There are exceptions. A migration study of 'who moves where and why' had been conducted in Newcastle (but not Gateshead) in 2001. Based on secondary data and a household survey of movers, this study mapped population flows and identified the characteristics of movers, their reasons for moving and the perceived outcomes of moves. This study also aided understanding of displacement effects, although the Audit Commission suggested that the Pathfinder needed to develop this understanding further.

While the collection of secondary data can help to delineate the social, economic and demographic composition of neighbourhoods in the Pathfinder area, it is widely recognised that the views of stakeholders and of residents living in and around the Pathfinder areas are crucial for understanding the mainsprings of these changes. Perceptions of markets can be more potent than empirical realities. However, the collection of such data is limited and its effective deployment to inform future strategy even more limited. The Audit Commission report on New Heartlands, for example, commented on the lack of data on: the choices made by recent residents into the city centre (recognising this might be a specialised segment of in-migrants); the needs and aspirations of BME communities in Liverpool; and the aspirations and preferences of households within and adjacent to the Pathfinder area (Audit Commission, 2004b, para. 49).

Trajectories of market change

The focus of future research should now build on the combined efforts of the Pathfinders during the prospectus stage and develop further the understanding of different types of markets within the Pathfinder areas, different trajectories of change and the different balance of policy initiatives required in response. Clearly, this will remain more of an art than an exact science. The central concern in developing such

a research base will be to strike a balance between a more comprehensive but essentially unwieldy set of indicators and evidence, and a more accessible if restricted evidence base.

A key challenge will be to develop a *dynamic* analysis that can chart changes as the Pathfinder strategies and Area Development Frameworks unravel. Local housing markets in Pathfinder areas can change quickly and unpredictably – witness the recent claims about speculative activity in some weaker markets in HMR areas, in anticipation of brighter times ahead, or the rise and rise of ‘buy to let’ in some neighbourhoods.

Following through the need for manageable methods of tracking market change, and linking the findings to potential interventions, a typology of neighbourhoods in the city of Leeds has recently been developed from an analysis of the local housing market. The typology was based on two factors: a composite indicator for trends in demand and a basic indicator of household turnover, covering all housing tenures (Cole *et al.*, 2004). It was intended as a straightforward means of capturing often very complex processes of change, and of raising awareness that different localities will have different functions within a city’s housing market, will change in different ways and will therefore prompt different policy responses – whether in housing or in other sectors. One risk of market classification has been that it has overstated the difference between ‘failing’ markets and other neighbourhoods, and has ‘frozen’ them in this position. There is a need for an emphasis on market change focusing on *processes*, rather than producing a static league table of market desirability. Not all attention (or resources) should be concentrated in ‘uplifting’ this minority of ‘abandoned’ neighbourhoods while ignoring market change elsewhere in the city or sub-region.

The typology for Leeds produced a nine-fold classification of local sub-markets within the city.

- *Transitional markets*, where existing policies and strategies may need to be rethought in the face of rapid change.
- *Unstable markets*, that will also require close attention from policy makers, and should be target for careful monitoring and the collection of additional data so that the triggers behind the paths of change can be identified.
- *Falling markets*, exhibiting the classic symptoms for neighbourhoods in decline, which may lead to abandonment.

- *Rising markets*, where future investment or policy intervention will need to ‘work with the grain’ of recent change and attempt to identify the main drivers for the improvement. In some cases, such improvements may have resulted less from intrinsic changes in the area in question as from ‘spillover’ from adjacent areas with tight markets, as new demand is deflected.
- *Stable markets*, which may in fact be unpopular in terms of external perceptions and overall reputation, but where sufficient internal demand is being generated to sustain them.
- *Fragile markets*, where, in low-value areas, anticipatory intervention may be required to prevent further decline – various ‘warning signs’ may be elicited and the real challenge is to devise interventions quickly enough to respond.
- *Self-sustaining markets*, with low turnover but high demand, which may be marked by problems of access for those seeking to move into the area; planning strategies may offer some instruments to regulate demand, but the key determinants often lie outside the local housing system itself and are to be found in sub-regional and regional policies, and social and economic trends.
- *Stagnant markets*, where judgements may have to be made about whether they will be affected positively or adversely by displacement effects from nearby markets with similar profiles; these may often be dominated by one form of housing tenure or housing type.
- *Eroding markets*, where existing residents may display relatively high levels of satisfaction, but there are likely to be low levels of externally generated demand so that, once the passage of time takes its toll, it will become increasingly difficult to find replacement households (for further discussion, see Cole *et al.* 2004, Chapters 3, 4).

In terms of possible interventions into local housing markets, it is possible to chart two distinctive, even conflicting, routes into ‘sustainability’, which are often elided in practice. Sustainability may be challenged by either a *lack* of or a *surfeit* of community stability. Neighbourhoods can suffer from an environment that is too turbulent and disruptive, so little sense of local allegiance or community identity is established. Alternatively, there may be insufficient diversity or turnover in an area. Strategies to diversify the housing market in order to attract new types of in-migrant households may be pertinent here; a range of housing and non-housing interventions may be needed to stimulate demand and attract new households. The policy prescriptions that flow from these two scenarios may therefore be sharply contrasting.

Overall, a crucial distinction is being made between those areas that are experiencing turbulence in market trends, where interventions may be prompted to stabilise the situation, and those areas where demand might be slowly, even imperceptibly, draining away from an area and where a stimulus to the local market is needed. These offer different routes to securing greater sustainability – either by concentrating on the need for the injection of ‘new blood’ or, on the contrary, attempting to shore up a sense of commitment to the area from recent arrivals, as well as longer established residents. But the key will be to develop instruments for monitoring market change that are robust and sensitive, but also capable of being used on a continuous basis, not just a part of a major market review every two or three years.

Such an approach is also capable of replication more readily than multidimensional and often highly complex models of the housing market, and HMR Pathfinders may need to refine or reconsider their approaches in the light of any market changes. Already there is evidence that the mere existence of an HMR Pathfinder can lead to property speculation locally in anticipation of brighter times ahead, thereby changing values before any intervention has even been introduced. In Liverpool, for example, the New Heartlands prospectus makes reference to the positive impact of Liverpool being declared European City of Culture 2008. It is very difficult to factor in such events in advance!

The task for the Pathfinders and their partners will be to harness their interventions through the Area Development Frameworks so that they work with the grain of change in improving areas and identify and act on the main influences behind continued decline. This issue – how the Pathfinder strategies outlined in the previous chapter and the methods of monitoring market change link into planned interventions and forward programmes – forms the substance of the next chapter.

7 Delivering the programme

Planned spend and balance of activity

It is difficult to give a concise and accurate summary of the total balance and distribution of funding for the HMR programme in its first phase from 2003/04 to 2005/06. This is partly because of the different starting points for the programmes – with nine months separating the announced allocation for Manchester Salford HMR and the allocations for Birmingham Sandwell and North Staffordshire HMRs. It is also because of the different forms of calculations used in the prospectuses and the differing degrees of detail about the eventual allocation given in the public announcements, currently only available from various ODPM news releases (ODPM, 2003b, 2004a). Furthermore, while the HMR fund for 2003/04 to 2005/06 as set out in the Sustainable Communities Plan was £500 million, the eventual allocations contained some over-provision – in the anticipation that some Pathfinders might not hit their spending targets in the first phase.

The spending figures given in the Pathfinder prospectuses, which are often set out in some detail, are therefore aspirational, as part of the bid to ODPM, rather than actual agreed figures. It needs to be emphasised that these figures will have been revised following the scrutiny process, although a revised breakdown of proposed expenditure at Pathfinder level is not currently available. However, figures in prospectuses provide an *indication* of the scale of ambition behind the discrete funding requirement for specially funded HMR activity. Most of the prospectuses also made assumptions about matched funding to complement the HMRF, though again there was considerable variation. Some Pathfinders specified funding sources in some detail, others were more generic; some were tightly scoped calculations, others less so. Despite all these caveats, though, we felt it was worthwhile to include some references to give an illustration of the internal differences in the size and scope of the strategies and what had been initially assumed about additional spend through matched funding sources.

Different assumptions about ‘leverage’ have underpinned the programme in terms of the proposals in the prospectuses; the Manchester Salford prospectus, for example, assumed that the HMR fund would contribute just under 10 per cent of the total funding package – possibly reflecting its confidence about the outgrowth of the city centre and the experience acquired in working with developers and investors. This contrasts with North Staffordshire and Birmingham Sandwell, where the HMR was estimated to contribute nearly half the total funding package. In Oldham Rochdale, South Yorkshire and Merseyside, the proportion of HMR funding was around a quarter of the total funding package. As the programme develops, it will be critical to monitor how the different scale of ambition across the Pathfinders is tested, in terms of the degree to which the HMR process can act as a magnet for other forms of complementary public and private investment.

As the figures provided in the prospectuses are not compiled on a comparable basis, caution is needed in interpretation and analysis. Most Pathfinders give only the proposed pattern of spend for the HMR resources, some do not break down the pattern of spend at all and Renew North Staffordshire refers to the full 15-year period rather than the first three-year phase. However, the figures paint a broad picture of the nature of activity envisaged in the initial phases of the programme.

In terms of the focus of activity, the Newcastle Gateshead prospectus proposed that around 30 per cent of the total HMR resources until 2005/06 would be devoted to site assembly, 17 per cent to improving the private sector stock, 8 per cent to the social housing stock, 10 per cent to site development, and around 8 per cent to both environmental improvements and supporting communities. In Merseyside, it was envisaged that 47 per cent of HMR resources would be devoted to clearance (reflecting the relatively high rate of demolition in the plan), a further 12 per cent to improving the retained housing stock and 9 per cent to environmental investments.

In Manchester Salford, the prospectus proposed that 27 per cent of HMR resources would be devoted to strategic site assembly, 17 per cent to 'sustaining neighbourhoods', 15 per cent to housing stock improvement and 13 per cent to supporting affordable homeownership initiatives to help diversify the tenure balance. For Oldham Rochdale, 47 per cent of the HMR fund was earmarked for redevelopment and remodelling of neighbourhoods, 28 per cent for environmental improvements, 12 per cent for stock improvements and, uniquely, 11 per cent for work towards achieving community cohesion.

For Elevate East Lancashire, clearance and land assembly amounted to 42 per cent of the total HMR resource, 34 per cent was devoted to stock improvements, with 8 per cent for stabilising neighbourhoods and 'confidence building'. Finally, in South Yorkshire, it was proposed that about 28 per cent of the HMR funding would be devoted to the 'development of highly successful neighbourhoods', 21 per cent to land and site acquisition, and 20 per cent to creating 'sustainable homes' through improvements.

The different allocations give some indication of where the interventions were placed in terms of the long-term process of renewing housing markets, as well as reflecting the extent to which redevelopment is likely to follow on from site assembly and clearance activity. The Pathfinder prospectuses also differed in the degree to which specific resources were directed towards supporting neighbourhoods through the processes of social, economic and physical change – perhaps reflecting in part the ability of the Pathfinder and the constituent local authorities to draw down from other programmes, as well as the varying severity of community need.

Plans for demolition and remodelling

The restructuring of housing markets may be directed towards reducing supply surpluses, or focus more on obsolescence, or on neighbourhood blight and unpopularity. The critical issue in terms of media coverage so far of the Pathfinders concerns demolition. This may prefigure the reaction of residents in specific neighbourhoods when Area Development Frameworks begin to be implemented in the Pathfinder areas. This is potentially a highly emotive, controversial and politically sensitive issue for all Pathfinders. Much may depend initially on whether local communities have had recent experience of stock clearance – in Liverpool, for example, the Housing Action Trust has demolished 38 of the 67 tower blocks in the city over the past ten years. Elsewhere, the prospect of demolition may receive a less sanguine response, especially if the local media decide to dust down any local horror stories of clearance and redevelopment programmes from the 1960s.

However, it would be misleading to characterise housing market renewal as a synonym for stock reduction or the management of decline. During the programme, in only three of the eight Pathfinders will there be a net loss of housing stock.

There is a wide difference in the scale of planned demolitions in those strategies where a lifetime figure of activity was identified in the prospectus. This ranges from 6,000 in Birmingham Sandwell to over 20,000 in Merseyside. The new-build programme in Newcastle Gateshead is three times the size of the demolition programme (although this has to be set against extensive clearance in parts of the conurbation over the past ten years). In East Lancashire, by contrast – where the assumptions about economic renewal are much more modest – the new-build programme is just over 10 per cent of the demolition programme, although this may be subject to upward revision as the programme develops. Even the briefest reference to such figures indicates how difficult it is to generalise about a 'Pathfinder approach' – the scale of the task and the balance of activities varies markedly. There may also be difficulties in Pathfinders actually expressing the level of demolitions that may be required, while at the same time trying to develop a political consensus around their future demolition programme.

The plans of each of the eight Pathfinders that have so far produced a prospectus are summarised below.

The *Manchester Salford Pathfinder* (2003) prospectus contained plans to demolish a total of 9,727 dwellings during the programme, though no tenure breakdown is provided. Just over 1,700 dwellings will be demolished in the period 2003/06, with 4,000 in 2006/09 and a further 4,000 in 2009/13. A new-build programme of 12,011 is planned, resulting in a net gain of 2,284 properties. Seven thousand of these

properties would be constructed in the final four years of the programme. The Pathfinder planned to dedicate 30 per cent of resources to strategic site assembly in the first three years.

Manchester Salford planned to 'refurbish, repair or improve' a total of 25,417 properties over the term of the programme, the majority of which (13,417) would be improved within the first three years.

The *Newcastle Gateshead Pathfinder* (2003) prospectus planned to demolish a minimum of 4,900 properties and build 15,530 new homes, resulting in a net gain of 10,630 properties – on the face of it, the largest net stock increase in the programme. However, demolition figures were provided for only two of the four neighbourhoods within the Pathfinder area. In the other two neighbourhoods, the prospectus refers to unquantified 'selective demolition of obsolete low demand housing predominantly within the social sector' in one neighbourhood and cites 'clearance and redevelopment' as a priority in the other. The total number of properties demolished is therefore likely to exceed 4,900. The prospectus does not provide details of the numbers of properties to be improved. However, there are plans to spend £25 million in the first three years of the programme on improvements to properties considered to be sustainable.

The *New Heartlands Pathfinder* (2003) prospectus contained plans to demolish a total of 20,665 units over the duration of the programme (12,126 private and 8,529 registered social landlord/local authority properties) and over 60 per cent of total HMR investment was dedicated to clearance of unpopular stock. This is set within a context of a cross-tenure vacancy rate of 7.6 per cent and population decline, which is projected to continue. Set against this were proposals for 18,525 new-build properties (77 per cent of which would be in the private sector), resulting in a net loss of 2,130 units. It was envisaged that this programme would lead to an overall increase in the stock of private housing by 2,145 units and a decrease in social rented stock of 4,275 dwellings.

The refurbishment programme was planned to improve a total of 12,920 properties, of which 11,800 are in the private sector and the remainder in the registered social landlord (RSL) sector. There are no plans for the refurbishment of remaining council stock under the programme.

In the prospectus for *Elevate East Lancashire* (2003), the demolition programme amounted to 8,015 over the lifetime of the programme, with 2,840 demolitions planned for the first three years. The proposed clearance figures are based on levels of unfitness, vacancy rates and regeneration opportunities. There was a small new-

build programme, amounting to 886 dwellings, designated for the first three years. The Elevate East Lancashire prospectus proposed to 'improve' (not specified) 14,744 properties over the term of the programme, with 3,636 properties improved in the first three years.

In the *Transform South Yorkshire* (2004) prospectus, information was only available on plans for the first two years (to 2006) and no tenure breakdown of demolitions, new builds or refurbishments was provided. In the first two years, the Pathfinder planned to demolish 1,371 residential dwellings and build 578 new properties – resulting in a net loss of 793 dwellings. In this period, the Pathfinder planned to 'repair or improve' 5,448 properties.

In the *Oldham Rochdale Pathfinder* prospectus (Oldham Rochdale Partners in Action, 2004), the proposed demolition and new-build programmes during the first two years would result in a net loss of just 293 units. During the programme overall, 6,618 demolitions were planned and 7,429 new dwellings would be built, resulting in a net gain of 811 dwellings. In Wave 1 of the programme, 45 per cent of the 2,472 planned demolitions would be in the RSL sector and a further 34 per cent in the owner-occupied sector. Seventy-eight per cent of the Wave 1 new-build programme would be in the private sector and 20 per cent in the RSL sector. A tenure breakdown was not given for Wave 2 of the programme.

The Pathfinder prospectus planned to refurbish a total of 4,932 properties over the term of the programme (with 91 per cent of this programme to be carried out in the first five years). Forty-six per cent of these dwellings are in the RSL sector and a third are owner-occupied.

The *Renew North Staffordshire* (2004) prospectus contained plans to demolish a total of 14,501 properties during the programme, of which 82 per cent were in the private sector (owner-occupied and private rented) and 11 per cent in the RSL sector. A new-build programme of 7,480 private dwellings and 1,694 RSL dwellings would be supplemented by a programme of 3,354 low-cost homeownership dwellings. This would result in a net dwelling loss of 1,973 properties overall, though the private sector would increase by 4,397 dwellings in the course of the programme. The Pathfinder proposed to refurbish 35,467 properties in its lifetime – 59 per cent in the council sector and a further 27 per cent in the owner-occupied sector.

The *Birmingham Sandwell Pathfinder* (2004) prospectus contained plans to demolish 6,000 properties during the programme – mainly in the local authority (36 per cent) and owner-occupied (44 per cent) sectors. There was a new-building programme of 12,000 for the lifetime of the programme, producing a net dwelling gain of 6,000. A

fifth of the new-build programme was for shared equity homes and a further 10 per cent for rent – the rest were for sale. Assuming the future rented properties would not be in the local authority sector, the programme would result in a net loss of council homes of 2,150 during the programme. It was proposed that 8.5 per cent of demolitions and 2 per cent of the new-build programme would be undertaken in the first two years of the programme. A further 30 per cent of the demolition programme would take place in Years 3–5. The bulk (80 per cent) of the new-build programme was earmarked for Years 6–15.

Birmingham Sandwell proposed to refurbish 15,000 properties over the term of the programme, the vast majority in Years 6–15. Fifty-three per cent of these dwellings were in the owner-occupied sector, 23 per cent were council dwellings and 14 per cent were in the RSL sector. The remaining 10 per cent of properties to be refurbished were privately rented.

There are likely to be considerable revisions made to these figures when revised prospectuses for future activity in 2005/06–2007/08 are submitted in the coming year. Nevertheless, the figures do provide a guide to the overall scale of activity likely to emerge from the programme. Taken together, the number of planned demolitions in the areas, at more than 71,000 over the lifetime of the programme, is large by recent standards, but this pales into virtual insignificance compared with the extent of activity in the mass clearance/redevelopment period from the mid-1950s to the early 1970s. On the other side of the equation, the number of new-build properties designated for the Pathfinder areas overall for the lifetime of the programme currently stands at over 79,000. While there will be substantial variation from one area to the next, it is therefore misleading to characterise market renewal as simply clearance by another name: there is a small net stock gain – but the issue of demolition is still likely to dominate much of the public discussion and reaction in the early stages.

In several cases, the tenure profile of the planned demolitions is not indicated in the prospectus, but a considerable proportion is likely to be in the private sector (82 per cent of the programme in North Staffordshire, for example). This will provide a real challenge to the capacity of the Pathfinders, the constituent local authorities and other agencies to undertake compulsory purchase, offer compensation packages, provide alternative accommodation, support vulnerable groups and disrupted communities, and manage the overall transition. It will also be challenging for Pathfinders to refer to the total level of demolitions required for the HMR programme as a whole, while at the same time trying to build a degree of political consensus locally around the anticipated demolition programme.

The Audit Commission perspective

This report has made reference several times to the scrutiny reports published by the Audit Commission (and available on the audit-commission.gov.uk website) following an examination of each Pathfinder prospectus. This report has been concerned with a programme-wide view, using specific Pathfinder examples to illustrate general points. The scrutiny reports conclude with a series of recommendations for the Pathfinder to take account of as their programme unfolds. In Table 2, we have drawn together these recommendations under a classification we have devised of the different topic areas. The prospectuses also conclude with an assessment of the strengths and weaknesses of the prospectus, and these assessments are shown in Table 3. Taken together, they provide a useful overview of the progress made by the programme as a whole on different aspects of the complex and wide-ranging process of market renewal.

Table 2 shows that the scrutiny reports recommended further action for all the Pathfinders on two of the topics listed – the need for better understanding of housing market change and the development of targets to be achieved as the programme progresses. Seven of the eight also received recommendations on the need to flesh out the forward programme. The latter two aspects are no doubt inevitable requirements as the activities move from the preparation of strategies to implementation and delivery, but they should not be divorced for the first of these issues – the need to unravel the complex web of influences behind market change at the local level. Prospectuses were usually strong on listing the manifestations of market weaknesses, but less certain on how to address the main causes.

Other recommendations that affected many of the Pathfinders concerned adjacency issues – and how to monitor the wider impact of change once HMR interventions gather pace, the need to develop an effective master plan, covering different policy sectors and adopting a neighbourhood-centred rather than housing-centred perspective, and governance arrangements – not least the need to involve ‘the private sector’ more centrally in the programme. The issue of risk assessment and management was also covered in the recommendations for six of the eight Pathfinders.

Table 2 Matrix of Audit Commission recommendations on Pathfinder prospectuses

Recommendations made for each Pathfinder	Manchester		Merseyside	Newcastle Gateshead		Oldham Rochdale	East Lancs	South Yorks	Birmingham Sandwell		North Staffs
	Salford										
1. Understanding local driver	•		•	•		•	•	•	•		•
2. Assessing wider context (displacement, adjacency etc)	•		•	•		•	•	•	•		•
3. Planning, masterplanning			•	•		•	•	•	•		•
4. Linkage with other strategies	•		•	•		•	•	•	•		•
5. Risk assessment and management			•	•		•	•	•	•		•
6. Interventions			•						•		•
7. Governance (accountability)	•		•			•	•	•	•		•
8. Targets	•		•	•		•	•	•	•		•
9. Forward programme	•		•	•		•	•	•	•		•
10. Option appraisals			•				•				
11. Community dev/engagement/cohesion						•	•	•	•		•
12. Developing other strategies						•	•		•		•
13. Demonstrating value for money						•	•	•	•		•
14. Monitoring	•										•

Table 3 Comparison of Market Renewal Pathfinder assessments to date

	Information	Adjacency	Stakeholders	Drivers	Solutions	Resources	Community	Governance	Outcomes
Manchester Salford	B	C	B	C	B	B	A	B	C
Merseyside	B	C	A	C	C	C	A	C	C
Newcastle Gateshead	C	C	B	C	C	C	A	B	C
Oldham Rochdale	B	C	A	C	B	C	A	B	C
East Lancs	B	C	B	C	B	C	B	B	C
South Yorks	B	C	B	B	C	C	B	B	C
Birmingham Sandwell	B	C	B	C	C	C	C	C	C
North Staffs	A	A	A	A	C	C	B	B	C

Table 3 is of more interest in what it shows about the relative strengths and weaknesses of the Pathfinder programme as a whole rather than the individual grades, which require reference to context and evidence for a full explanation (given in the individual scrutiny reports). The table indicates that, taken as a whole, Pathfinders scored relatively highly on attributes concerned with ‘building a constituency’ – involving stakeholders, consulting with community interests and bringing together background information. Thus, the prospectuses produced by Newcastle Gateshead and Oldham Rochdale were commended by the Audit Commission (2004a, 2004e) for proactive engagement with community interests and with other stakeholders in the preparation of the strategy. In another Pathfinder (Transform South Yorkshire), community consultation processes were also considered strong at the overall Pathfinder level but more limited at the localised ADF level (Audit Commission, 2004d).

Pathfinders performed less strongly on issues concerned with analysis and interpretation – identifying the main drivers of market change within the area, discriminating between a raft of possible factors and influences. In several cases, Pathfinders seemed to adopt a fairly linear view of the chain of causation – referring to self-reinforcing processes, downward spirals and so on – without being able to identify primary and secondary drivers, or differentiate between causal or associative relationships. This is not too surprising, given that such processes are complex and difficult to unravel, and that this kind of market analysis is still in its infancy. It does suggest a key area for further development at programme-wide level.

A third category in the classification concerns the process of intervention, and most Pathfinder prospectuses were judged here to have more weaknesses than strengths. In many cases, the rationale behind the proposals to combat weak housing markets lacked sufficient depth. The justification for the resources – whether directly from the HMR funds or from other sources of matched funding – was often poorly articulated. This activity will come under closer scrutiny in the next year or so as the Pathfinder forward programmes are renegotiated with ODPM. The prospectuses often contained a reasonably sophisticated analysis, resting on a solid information base, but linked to a rather conventional and modest bundle of interventions out of kilter with the need for an innovative and radical approach.

Linking strategy, analysis and intervention

Clearly, the programmes to alter the nature of housing supply and housing quality in the prospectuses will be only one component in the process of market renewal – and will need to be complemented by complementary investment in other sectors, changes to service delivery, community support and development, and so on. It will

also be important to look beyond the immediate impact in rebalancing supply and demand in crude terms, and to monitor the social consequences flowing from the delivery of the programme. The tenure balance of the proposed demolitions varies considerably, but, in every case, the bulk of the new-build programme involves private dwellings for market sale. In Oldham Rochdale and Birmingham Sandwell, for example, the programme will result in a major tenure shift away from social housing. This will not only provide more diverse housing choice, but is also likely to lead to a different socio-economic profile for these areas.

The Audit Commission scrutiny process posed questions about the extent to which the proposed interventions to address population decline and decentralisation will achieve the desired outcome. For example, the Commission considered there was a significant risk that the Newcastle Gateshead Pathfinder's supply-led strategy would, albeit inadvertently, serve to weaken the sub-regional housing market further (Audit Commission, 2004a, paras 87–9). In other words, the link between the intervention (developing attractive housing in urban villages) and outcome (repopulation) required firmer justification. This was a recurrent theme and will clearly need ongoing review.

Some of the Pathfinders have produced a typology of areas within their boundaries. Transform South Yorkshire, for example, differentiates between main urban centres, urban district centres, urban neighbourhood centres, market towns in the Dearne Valley, district centres in the Dearne Valley and neighbourhood centres in the Dearne Valley. This functional specification of place is then linked to different development principles that lie behind planned interventions. The market monitoring approach outlined in Chapter 6 provides an alternative means of classifying sub-markets and thinking through the differing approaches to providing more sustainable neighbourhoods through the renewal process.

A key judgement lies in the extent of public intervention and infrastructural improvement required in order to produce a sufficiently attractive climate for private investment. This will place an onus on the development of an integrated sub-regional plan, to ensure that sufficient incentives are provided within the Pathfinder area. At the level of programme delivery, Pathfinder teams will need to build up close working relationships with financial institutions and developers, going beyond the rather sporadic and tenuous links that currently exist in some of the areas.

8 The next steps for the programme?

The development of the Market Renewal programme has now entered a critical phase of development. The second tranche of HMRF resources was announced in July 2004 in the Comprehensive Spending Review committing expenditure up to 2007/08. During the next 12 months, it will be vital for central government, regional partners and the nine Pathfinders to agree and finalise the policy framework within which Market Renewal will operate up to 2019. On the basis of our review of the process to date, we have set out below some of the key questions to be tackled over the next 12 months.

Our own comments are based on direct experience of developing an HMR prospectus, involvement in the wider development of the Housing Market Renewal approach, and ongoing engagement with the Pathfinder teams and other key stakeholders at regional and central government level. The authors have also contributed to debates about the development of the wider policy frameworks in which HMR is situated. The observations below are also cognisant of the priorities for Pathfinder development – at a programme-wide level – identified by the Audit Commission, as outlined in the previous chapter.

Other observers may well have come up with a different list, or would take issue with some of our proposals. But we would claim that they have at least been based on firmer empirical foundations than some of the other external criticisms that have been made of the programme to date. Our intention here is to offer constructive suggestions to help build on the momentum that has gathered behind market renewal over the past two years. It is also premised on the need to underpin the more innovative elements of the programme as a form of intervention, so that it can continue to make a distinctive contribution to processes of urban renewal in areas of housing market vulnerability.

Clarifying programme aims and objectives

- To be able to justify the continued long-term investment in the Market Renewal process, central government should build up the evidence base to identify how the process of housing market renewal can be tracked. This report has suggested that the contribution of Pathfinders to bringing a better balance to demand and supply could be measured through its impact on surplus property, obsolescence and unpopular neighbourhoods; and all of these aspects are measurable.
- The determination of success criteria for the HMR programme is a useful development in programme-wide thinking, and the links between these attributes and the array of renewal interventions at the disposal of Pathfinders need further

elaboration and evaluation, with a clearing house for information that can be used by practitioners established and maintained by ODPM.

- Pathfinders are facing different tasks and will therefore develop on different trajectories. For example, Oldham Rochdale and Birmingham Sandwell Pathfinders are restructuring markets rather than renewing them. It will be essential for each Pathfinder to revisit the aims and objectives of its programmes, partly so that stakeholders and agencies at the sub-regional and regional levels can understand more readily why there will be local variations in policy and priority among the Pathfinders.
- Clearer aims and objectives (and outputs, milestones and outcomes), which will need to be in place prior to the allocation of resources from the 2005–08 Comprehensive Spending Review, would greatly assist the process of strategic review for the Pathfinders. As the Pathfinders gain more experience of the challenges in implementing their programmes, some further reflection about the scale of ambition, timescale and anticipated achievements may be necessary. Discussions need to begin shortly so that resources can be allocated prior to summer 2005.

Diversity within the programme

- The different operational contexts for the Pathfinder teams – in terms of their resources, in-house skills and knowledge base – will need to be incorporated into a review of the appropriate delivery vehicles to achieve the programme within the agreed timescale; the degree to which the teams should remain ‘embedded’ within the existing structures and processes of the constituent local authorities will be a key consideration here. This review should involve a tripartite negotiation between the Pathfinders, ODPM and regional funding agencies.
- In programme-wide reviews, it will be important to acknowledge that future trajectories of market renewal will differ markedly between Pathfinders, not least in terms of their positioning relative to regional and sub-regional growth points. This will need explicit recognition in the national evaluation of the HMR programme about to be launched and as Regional Economic Strategies are reviewed.

The costs of market transition

- Radical changes may well produce strains in social cohesion at the neighbourhood level, and the ramifications of any new influx of households to

areas already under pressure will need to be very carefully handled by Pathfinders and their partners. There is scope for the development of programme-wide good practice here.

- In terms of service provision, central government should reconsider how it allocates revenue support to those local authorities experiencing large-scale restructuring, to incorporate the costs of community transition as well as the burden of social need.
- The Pathfinder monitoring process should attempt to chart how mainstream programmes have been adapted or revised to help meet market renewal objectives. Each local authority involved in the HMR programme should be able to demonstrate explicitly to ODPM how mainstreaming has been achieved and the assumptions made in determining the extent of 'leverage' to support the planned programme as a whole.
- Consideration should be given to establishing a discrete funding stream for 'greening' those neighbourhoods where stock demolition will not be followed by any large-scale redevelopment. Increased government support to the newly established Land Restoration Trust and more effective integration and targeting of expenditure by the Forestry Commission and the National Lottery may fill this policy vacuum in the medium term.

Building capacity in the programme

- There is a wide variation in the current level of capacity to deliver regeneration across the constituent local authorities. A more efficient and collaborative way of developing schemes may be achieved through an audit of strategic and operational capacity of a locality *in advance of* funding allocation. This could ensure that funding was staged in proportion to the development of local capacity. ODPM should consider allocating this role to the Audit Commission as part of the scrutiny remit.
- A wider discussion is needed of the key skills required for Pathfinder teams at different stages of their programmes and the potential should be explored for 'pooling' expertise where feasible. Financial appraisal and financial management skills are at a premium here, and deft political skills will also be required to steer through such potentially radical and sensitive programmes. This issue needs to be considered collectively by the Pathfinder teams, as their increased spending power will enable them to influence the development of the employment market.

- The functions of the main channel for interproject communication, the Pathfinders Project Working Group, should be rethought, with a view to creating 'fit-for-purpose' links at different levels within teams and their Boards, rather than expecting a single cross-Pathfinder body to meet multiple objectives.
- A focal point is needed for sharing ideas, spreading good practice, seconding staff, building up new skills and enhancing awareness of the process among those involved in it from other professional groups or service sectors. This could follow on from the recent Egan Review in terms of contributing to the proposed National Centre for Sustainable Communities Skills. Alternatively, a free-standing Academy for Market Renewal could be developed, though this might sit uneasily alongside the emphasis in HMR on an integrated approach and shared forms of learning.
- Effective communication strategies will be vital in the next few years, if local rumours proliferate about clearance plans, or if the long timescales for later interventions feed impatience among communities. Again, the potential for cross-Pathfinder learning is considerable and political skills will be at a premium in pushing ahead with the programme.
- New skills in community engagement will be needed to deal with public anxieties about the early and potentially disruptive stages of neighbourhood remodelling. There is a clear difference between this stage of market restructuring and the earlier planning phases, in terms of the structure of ownership and the legal rights that now exist to protect and compensate homeowners. Pathfinders will need to share good practice on securing community consent to avoid the risk of the programme becoming mired in constant legal challenges.

A multilayered process

- There is an urgent need to harmonise longer-term strategic interventions in housing markets with current and emergent community-led regeneration programmes at the neighbourhood level. The plans to ensure cross-membership of HMR and NDC Boards are a start, but this relationship will need to deepen, especially as Area Development Frameworks unfold. ODPM and Regional Offices will play a critical role here.
- A review is needed of the relationship between the HMR programme and regional spatial, economic and housing strategies in terms of underlying principles, key priorities and timescales. The type of mechanisms set up in the North West region may have a wider applicability to other regions with Pathfinders in their areas.

- There needs to be an explicit mechanism at regional level to resolve any conflicts between different strategies at the sub-regional and local level – at present, it is not clear who should act as ‘referee’ in such disputes. Dialogue between ODPM regional agencies and the Local Government Association is needed to provide more clarity about processes of conflict resolution.
- The ‘whole-market’ thinking that has propelled the HMR prospectuses forward needs to be incorporated into mainstream regional housing investment processes.
- Liaison is needed at central government level to ensure the quintessentially corporate nature of market renewal is recognised – for example, in Department for Education and Skills plans over the viability of local primary and secondary schools.

Delivering the programme

- One of the main challenges to the delivery of the Pathfinder programmes concerns the development of stronger links between strategy, analysis and intervention. These stages are often conceived as professionally and functionally discrete activities in local government but effective market renewal programmes will hinge on the effective alignment of them and a constant iteration of their interrelationship.
- More robust links need to be fostered with financial investors and private developers, as a precondition of effective implementation of the programme. This will be a priority for those Pathfinder teams working with local authorities where existing relationships are poor or even non-existent.
- Co-location of the Market Renewal teams with other key agencies such as English Partnerships, Housing Corporation, RDAs, etc. would help to improve processes of ongoing dialogue and communication as the programme unfolds.
- From 1981 to 1999, central government funded a programme to restructure failing land markets in 13 locations across England. These exercises, delivered by Urban Development Corporations, were supported by a Planning Guidance Note to facilitate the purchase of land and premises for regeneration where there was as yet no determined end use for the site. Several HMR Pathfinders face problems of a similar kind. There is, then, a case for a specific Planning

Guidance Note for Market Renewal, which would allow the following.

- 1 Land acquisition using Compulsory Purchase Order (CPO) powers where, as yet, there is no agreed end use for the site.
 - 2 The ability for local planning authorities to declare 'Areas in Transition' with more flexible grounds for refusing development for a specified time as detailed local strategies are developed. Further research will be needed to develop this thinking as the HMR programme takes shape.
- Specific attention has to be given by Pathfinders and the constituent local authorities to developing the role of the Housing Corporation and the contribution of housing associations, in order to increase awareness of, and the level of engagement with, the housing market renewal process. The Housing Corporation has recently published a review of its policies to support market renewal emphasising its commitment to flexible operations through its 'New Tools' programme and recycling capital grants where housing associations are involved in clearance (Housing Corporation, 2004).
 - There are already examples of housing association involvement in building capacity as significant delivery agents for the programme (as in Merseyside), in developing capacity to effect change in a specific neighbourhood (Newcastle-under-Lyme in North Staffordshire) and in taking forward an array of neighbourhood strategies (Newcastle Gateshead). However, further partnership work will be required with local authorities, Pathfinders, the Housing Corporation and regional agencies to ensure that the considerable development capacity of the sector as a whole is harnessed to the market restructuring process.

Monitoring market change

- Market renewal is an intelligence-driven process, which needs to be supported by considerable investment in research and development. The various ideas, analyses and models need to be more effectively co-ordinated. Research staff involved in this process – from ODPM, academic institutions, Housing Corporation, Pathfinders and local authorities – need to create an interactive research management framework that could address, among other things, the issues itemised below.
- A programme-wide review of the research and evidence base for the Pathfinder areas is needed. In some cases, it will be necessary to put together this kind of information for the first time; in others, it will be important to ensure that undue sophistication in modelling housing markets does not undermine the need for

usable and updateable intelligence (i.e. quarterly wherever possible) on the nature and direction of change.

- To aid the development of clear local aims and objectives, a common approach to the projections of population and household growth for Market Renewal Areas should be agreed.
- Research should address the nature and function of different sub-markets in the area and draw out the implications for intervention. All Pathfinders have embarked on the task of dividing the area into smaller units for Area Development Frameworks, but the identification of the different drivers of market change at this local level is often missing.
- The current work on processes of displacement will need to be taken further. (Some Pathfinders, such as Transform South Yorkshire, are already commissioning additional work in this area.) This needs not only to examine the effects on other neighbourhoods nearby or adjacent to Pathfinder areas, but also to trace any evidence of 'internal' displacement and new patterns of household mobility within the area as the sequence of interventions becomes clearer and more widely known.
- The impact of the market renewal process on the aspirations, intentions and mobility patterns of members of BME communities merits discrete analysis at the Pathfinder level so that the implications for strategies of community support and investment priorities can be monitored. The processes of household formation among second-, third- or fourth-generation BME households, and the preferred locations for these groups in areas such as East Lancashire, will require more detailed study if appropriate interventions are to be introduced.

From prospectuses to proselytising ...

- ODPM, Regional Offices/Assemblies, local authorities and Pathfinders will need to ensure that a wide and robust form of 'ownership' of the market renewal approach is secured. Every new task that arises cannot be seen as the sole responsibility of the Pathfinder team – it will need to connect to other policy partners and resource streams, if Pathfinders are not to be overwhelmed by the scale of their ambitions for change. The HMR programme could be the ultimate policy test for 'mainstreaming innovation' and the response of other services and agencies needs careful monitoring.

- Having marked out a 'path' to market renewal, other agencies need explicit encouragement from regional and central government to follow it. Market renewal is essentially an 'outward-facing' process: this philosophy needs to be reflected in how the programme is taken forward, ensuring that regional bodies, local authorities and other housing and regeneration agencies learn more about revising their policies and priorities with perceived changes in local housing markets.
- The series of national conferences on market renewal held so far have been directed to the Pathfinder bodies and their immediate partners. A major public event should be held in late 2005/early 2006 for a wider constituency of interests, where some of the lessons learned about delivering plans for housing market renewal can be shared and disseminated. Innovation, imagination and risk taking in policy development are of limited value if the key messages remain 'in house'.

Preparing for the long term

- Pathfinders are currently creating financial, legal and moral commitments up to a decade in advance, as discussions with communities affected by the renewal process proceed. Government has entered legal agreements to support schemes up to 2019. However, no explicit long-term forward financial commitment has been given. This approach runs contrary to previous practice with UDCs, HATs, City Challenge, NDC partnerships and the Private Finance Initiative. For confidence to be maintained, central government needs to make a statement about the scale of long-term financial commitments it is prepared to plan for.

9 Conclusion

The authors of this report are writing from different vantage points in relation to the Pathfinder programme – one from within, one from without – and many of these observations in Chapter 7 can no doubt be contested or countered by reference to specific local circumstances. But, just as there is no template for the individual Pathfinders as they develop their own strategy to secure housing market renewal, there is no template for the national programme as a whole when set against other major regeneration initiatives: the nature of the process, the mode of programme delivery, the intended beneficiaries, the links with other strategies, the process of community engagement – there are no ready comparisons to hand. It is therefore crucially important to be alert to new and possibly unexpected challenges that arise as this ambitious programme unfolds, as it moves into previously uncharted territory.

This report has been intended as a contribution to that process, as a policy commentary rather than a formal evaluation of the programme *per se*. The past two years have witnessed frenetic activity by the Pathfinders to devise and cost the interventions, design delivery vehicles, sort out governance arrangements and liaise with key stakeholders and partners. It is not surprising that the HMR programme has raised new questions, revealed gaps in knowledge and understanding, tested legal boundaries and demanded a unique degree of co-ordination at national, regional, sub-regional and local levels. These are the inevitable consequences of innovation.

When the final prospectus for Hull and East Riding is submitted – and those two Pathfinders that have so far provided only first-phase figures present estimates of activity over the lifetime of the programme – it is likely that the proposed scale of stock clearance will be nearly 100,000 for the programme as a whole. It is estimated that the Pathfinder programme covers approximately half the ‘low-demand’ properties in the North of England and the Midlands. If ancillary regional housing programmes on market renewal are developed outside the Pathfinder areas, it is possible that a programme of around 200,000 demolitions is therefore in prospect over the next ten to 15 years. Again, it needs to be noted that this is a very modest figure compared with the scale of the post-war clearance and redevelopment programme in the 1960s and early 1970s. But a lot has changed since then – not just in terms of property condition, but also in terms of the demographic, social, economic tenure and ethnic profile of the neighbourhoods, in the level of trust in Government, in legal frameworks, in planning regimes and financial mechanisms, especially to support owner-occupation.

This scale of policy co-ordination and regeneration activity is still relatively uncharted territory for most local authorities, and this will put to severe test interagency collaboration and local political support. It is not unusual for new regeneration programmes and policy initiatives to be launched as ‘pioneering’ ventures. On the

basis of its aims and objectives, the HMR Pathfinder programme has stronger claims than most to merit this description.

Understandably, a significant amount of effort and emphasis has been placed so far in the HMR programme in ensuring effective delivery, consensus and cross-border co-operation at this early stage of Pathfinder development. A commensurate effort to achieve policy and strategic integration will now be necessary over the rest of this Comprehensive Spending Review period. The allocation of additional resources that follows from 2005/06 should be preceded by a strategic review – both of the national programme, as a unique kind of regeneration initiative, and at the Pathfinder level, in terms of progress on the ground. All nine Pathfinders should then be able to redraft their prospectuses simultaneously as the next stage of resource allocation is considered. This should help to reinforce programme-wide thinking about how the aims of housing market renewal are most effectively pursued, in quite different local housing, administrative and political contexts. A key test will be the amount of ‘leverage’ that the additional HMR funding has secured to promote a wider canvas of action.

Clearly, the HMR initiative was never intended to be another self-contained ‘special spending’ programme, like a kind of glorified twenty-first-century version of the Estate Action programme, which allocated additional resources for ‘housing-led’ renewal in the 1980s and 1990s. The danger is that it will be ‘normalised’ into just another kind of physical regeneration programme, rather than a new approach to influencing housing markets through a whole spectrum of initiatives. The test of whether this will be a genuinely distinctive approach to area-based renewal will be the extent to which the wider parameters of intervention in markets are kept in view, and the need to align interventions with other services, strategies and spending regimes is acted on. The process will not be without risk. The ‘special allocation’ of HMR funds represents only the tip of the iceberg in terms of the resources and effort required to achieve the ambitious goals of market renewal in the nine designated areas. Icebergs also tend to move slowly; but local housing markets can change very quickly indeed. The true challenge for the Pathfinders and their partners will therefore be their ability to combine depth of analysis with speed of response as the programme evolves.

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Appendix 1: A summary of the HMR Pathfinder areas

The information in this appendix has been edited from the often extensive background material provided in the original Pathfinder prospectuses.

Birmingham and Sandwell

The Birmingham and Sandwell Pathfinder area has a population of more than 150,000 and consists of ten districts (Lozells, Soho, Newtown, Aston, Witton, Greets Green, West Bromwich, Smethwick and Bearwood). There has been a trend of population decline and out-migration to surrounding towns, and many households commute to surrounding areas. Taken together, the population of Birmingham and Sandwell increased by 0.33 per cent between 1991 and 2001, compared to population decline in the Sandwell area alone of 6 per cent in the same period. Decline is most significant in the Soho/Handsworth, Smethwick and West Bromwich/Greets Green neighbourhoods. Nine of the ten wards in the HMR area are in the 10 per cent most deprived in England.

The area contains a large BME population, which increased by 21 per cent between 1991 and 2001. All areas except West Bromwich/Greets Green are multicultural in composition. Economic activity rates are low at 50 per cent, and much of the inactivity is due to a high number registered as permanently sick or disabled. Income levels are also low – 16 per cent below the average for Birmingham and Sandwell together. Educational attainment is low, but this has recently improved, with 35 per cent of pupils in the area at non-selective schools achieving five GCSEs at grades A–C. Health among residents in the area is poor. The area has experienced out-migration, especially among the 16–44 age group, leaving the least employable or those who are outside the labour market. In March 2003, it was reported that there were 9,202 asylum seekers in the Pathfinder area.

Historically, economic growth in the West Midlands was prompted by developments in manufacturing and engineering, but Birmingham is now the largest professional and financial centre outside London. The city has suffered from the negative effects of globalisation and foreign competition, though the commercial regeneration of the city centre, as in the Bull Ring shopping district, is now coming to fruition. Employment is still concentrated in the manufacturing sector, but future job growth is expected in the service sector, higher education and professional and financial services.

The Pathfinder area was formerly dependent on the area's manufacturing base – there are, for example, 261 hectares of vacant land that has previously been developed. There are high levels of deprivation and public services require improvement. There is a lack of choice in housing. Of 60,000 houses in the area, 49 per cent are owner-occupied and 37 per cent are socially rented. The dominant property types are terraced housing (47 per cent) – mostly from the late nineteenth and early twentieth centuries – and flatted accommodation (25 per cent). Private rented properties are concentrated in certain areas. Much of the housing was originally built for low-paid workers in the metal industry. Demand for this type of housing has decreased and resulted in social instability. House prices, however, are fairly stable, averaging between £52k to £67k. The housing turnover rate is high, as is the number of properties deemed unfit. The area has a void rate of 5.5 per cent.

The area has received limited private sector investment in housing and social polarisation has apparently increased as more affluent households have moved out of the area.

The aspirations of the Birmingham and Sandwell Pathfinder include:

- 'The creation of diverse, cohesive and flourishing multi-cultural neighbourhoods with their own attractions and characteristics that make people want to live, work, invest and spend their leisure time in the area'
- achieving design excellence
- adopting a holistic approach
- encouraging cultural diversity
- encouraging social integration
- achieving sustainability
- engaging the community.

Measures to meet these objectives include: rejuvenation of town centres in the area; building new affordable homes; enhancing accessibility to transport, jobs and facilities; building on economic links; and improving the strategic location of the Pathfinder area.

East Lancashire

The 206,770 population of the East Lancashire Pathfinder area covers Blackburn, Darwen, Burnley, Pendle, Hyndburn and Rossendale. Thirty-eight of the 46 wards rank in the 20 per cent most deprived in the country (21 in the top 10 per cent, 13 in the top 5 per cent and three in the top 1 per cent). Twenty-four per cent of the population (rising to 40 per cent in Blackburn) consists of BME groups. Around one-third of households in the area are single-person households. Unemployment and child poverty are high and wages tend to be low. Forty per cent of the population have no educational qualifications and 20 per cent suffer from a limiting long-term illness.

Housing in the area is low demand and, consequently, property prices have been very low, though there has been more movement recently because of speculative purchase and buy-to-let activity. Forty-two per cent of 2002 sales were below £20,000. Vacancy rates are high, with 8,000 empty dwellings (8.9 per cent), which is considerably above the North West average (4.4 per cent). Owner-occupation is almost 73 per cent, though the private rented sector has doubled since 1991. Sixty-seven per cent of properties are terraced and much of the stock is in poor condition.

The Pathfinder hopes to make East Lancashire:

A place of choice to live: known for the varied and distinctive character of its towns; for its environmental quality and heritage; for celebrating its cultural diversity; and as a place which offers residents access to a high standard of housing, education, employment, security and healthcare.

This will be partly achieved by the demolition of 1,000 properties, the construction of 160 properties, improvements to around 700 homes to ensure they meet Decent Homes Standards and interventions for a further 1,300 homes. The overarching principles are:

- increased access to 'high-value employment'
- increased value of the landscape and historic character
- establishing housing choice and sustainable communities
- building community cohesion
- developing effective neighbourhood management and service delivery.

Manchester and Salford

The Manchester and Salford Pathfinder has a population of 240,370 people. The Pathfinder is at the heart of the Greater Manchester conurbation, covering 19 of the 33 wards in Manchester and eight of the 20 wards in Salford. The population in the Pathfinder area has decreased as economically active households relocate. Both cities have experienced higher than average rates of unemployment, caused by the depletion of traditional industries that has not been counterbalanced by the relocation of new industries. (This sector declined by 23 per cent between 1973 and 1995.) However, the economic prospects are beginning to improve, with the expansion of the creative, financial and professional services sector and higher education. Nonetheless, the area is characterised by deprivation: 23 of the 27 wards are in the bottom 10 per cent in the country and eight of these are in the bottom 1 per cent.

There is an excess of older, smaller terraced housing and flats, which have decreased in value as demand has fallen. Consequently, many owners are in negative equity and do not have the capital to maintain their properties. Salford Central has less than half the national average of owner-occupation. There are concentrated areas of empty properties and, when the Pathfinder prospectus was prepared, the vacancy rate was 10 per cent. Some areas dominated by council housing are low demand and require investment, and many of the private rented dwellings are poorly managed and maintained.

The quality of the environment is poor and 81 per cent of homes are Council Tax Band A, compared with 25.5 per cent nationally. The gap between average values in the Pathfinder area and the sub-region is increasing. The market is deemed to have failed in terms of sustaining the quality of neighbourhoods and the values of homes, attracting first-time buyers, maintaining the private stock, demolishing abandoned housing, and attracting and retaining new households. Average house prices are around £50,000 – one-third of the average price of properties in more popular neighbourhoods.

Manchester and Salford local authorities have an ‘enviable track record in delivering change’ as the Audit Commission scrutiny report put it (Audit Commission, 2003b). Hulme and Salford Quays have been transformed and New East Manchester is undergoing regeneration. The pathfinder aims to build: ‘stable, sustainable communities, where housing and social infrastructure meets the needs of all citizens’, involving a range of stakeholders in the process.

It is anticipated that growth in employment in the Pathfinder area will be coupled with a strong demand for private sector housing. The Pathfinder intends to facilitate a

variety of housing interventions, which take into account the need to alter the balance and quality of housing. It aims to increase private sector development to facilitate greater choice, help individuals improve their homes or become homeowners for the first time and 'to work with other known and planned public and private sector investments to ensure that a renewed housing market supports the improved social and economic infrastructure'. Specific measures include:

- assembling sites for housing and commercial developments in the area
- developing the private rented sector
- establishing a landlord accreditation scheme
- allocating 15 per cent of financial resources to home improvements
- allocating 14 per cent of resources to supporting homeownership, including an investigation into the feasibility of adopting mechanisms such as value insurance
- strengthening the North Manchester Strategic Regeneration Framework with key activities relating to the economy, transport, education, employment and health.

Merseyside

The Pathfinder covers the central conurbation of Liverpool, within the three local authority areas of Liverpool, Sefton and the Wirral. It contains a population of 246,464 people, comprised of 125,132 households. Substantial decline has occurred over the past 30 years. Between 1991 and 2001, it suffered a population loss of 6 per cent. In 2002, the number of those economically inactive stood at 31 per cent compared with a national average of 21 per cent. However, rates of employment are now improving. Other areas of growth include the remodelling of the city centre, the Port of Liverpool, tourism, not least since Liverpool was declared the European City of Culture 2008, and higher education.

The Pathfinder area is dominated by poor quality terraced housing (55 per cent of the total stock) and social housing originally built to serve workers in the port-related industries. The void level is 7.3 per cent. It displays the familiar characteristics of multiple deprivation, such as a poor environment, low educational attainment and high crime levels. Anti-social behaviour and crime, environmental degradation and inadequate service provision have deterred in-migration from new residents. However, the Pathfinder approach is based on the assumption that there is potential for New Heartlands to profit from the economic renaissance of the Greater Merseyside Conurbation.

The aims of the Pathfinder include the following.

- ‘... stabilising the New Heartlands area through a more diverse range of tenures, house values and household income groups. Every household will have access to a home of high standard in neighbourhoods with high quality physical environments which are provided with a range of employment opportunities and good quality health, education and other services.’
- Reviving housing markets in the area.
- Establishing attractive and sustainable urban neighbourhoods through a balance of tenure.
- Building sustainable communities.
- Contributing to the competitiveness and prosperity of the area.
- In Sefton and the Wirral, stabilising the population and retaining households.

These objectives are to be achieved by the demolition of obsolete housing and redevelopment with good quality housing, improvements to existing council housing, environmental initiatives, neighbourhood management, and interventions to support vulnerable people and inclusion.

Newcastle and Gateshead

The population of the Newcastle Gateshead Pathfinder straddles the River Tyne and covers 52,000 properties in Newcastle and 25,000 in Gateshead. The area was dominated by shipbuilding and mining, and the housing was designed to meet the needs of these industries, which have since declined. The area was affected by widespread unemployment throughout the 1980s, although the rate has fallen significantly since. However, levels of deprivation remain high. Nineteen of the 24 wards are in the 10 per cent most deprived wards of the country. There have been high levels of out-migration, partly reflecting deindustrialisation and poor quality housing, the availability of affordable housing in other parts of the sub-region and the development of transport infrastructure to assist mobility. Out-migration has been most prominent among the 25–44 age group.

There are dense areas of social housing, inter-war and post-war housing estates. Severe market failure has occurred in some areas and large-scale clearance programmes are in operation. Forty-eight per cent of the housing stock is in the

social rented sector, including a high proportion of unpopular flats. Levels of owner-occupation are low – 26 per cent in the Gateshead area and 40.4 per cent in the Newcastle area. Many owner-occupied properties were built before 1919, including Tyneside flats, which account for 40 per cent of this stock. At the time of submitting the prospectus, the level of private renting (which has recently increased) was around 19 per cent and there was a void rate of 7.1 per cent. Supply is mismatched to demand in terms of size, type and design, and the housing opportunities on offer in the area fall well short of people’s aspirations.

The Pathfinder’s main objectives are that:

- ‘by 2017, the housing market of Newcastle Gateshead will be revitalised, strong and stable, fully integrated with the renaissance of the region’
- ‘the changing needs of residents will benefit from increased housing opportunity and choice in lively, cohesive neighbourhoods that provide the best quality of life in a healthy, safe and sustainable environment’
- the housing market will be strengthened by matching provision to the needs and aspirations of the population
- a wider choice of housing will be made available
- neighbourhoods will be made attractive places in which to live, work, learn and invest
- the neighbourhoods will be improved in terms of physical, economic, environmental, social and cultural assets
- the conurbation will be repopulated
- students will be retained.

These objectives will be achieved through the removal of low-demand stock, increased standards and better regulation in the private rented sector, investment in public services and stock clearance in social housing.

North Staffordshire

There are 67,000 properties in the Pathfinder area and it is non-contiguous. Much of the property base consists of large social housing estates, which were built nearby to

collieries. The population consists of a disproportionate number of single people, students, lone parents and members of BME communities. The average household income stands at £15,669. Economic activity rates are low, as are skills levels; 12 per cent of the Stoke-on-Trent workforce have higher-level skills, but 26 per cent have no formal qualifications. There is nothing approaching the status of a Central Business District in the area. High-value-added business locations are on the outskirts of the Pathfinder area.

Despite a process of industrial decline over several decades, the population appears to be fairly stable, with North Staffordshire having experienced just a 1 per cent drop in population since 1981. However, Stoke-on-Trent city has lost 21 per cent of its population, while suburban and rural areas have increased by 21 per cent. Mine closures have reduced employment opportunities and created gaps in the urban infrastructure. Furthermore, there have been closures in the pottery industry and in the important Michelin tyre factory. It is expected that the ceramics and engineering sectors will decline further. There are 900 acres of land that can be developed across Stoke-on-Trent and Newcastle-under-Lyme, but much of this is on the outskirts of the area.

The housing market in North Staffordshire is weak as measured by vacancies, house prices and stock condition. Prices in the sub-region have grown by 55 per cent between 1995 and 2002, compared with 67 per cent for the region as a whole during this period. Void rates are fairly high at 5.7 per cent. Many thousands of properties in North Staffordshire are obsolete. In the Market Renewal Area, it is estimated that there is an excess of 2,500 to 3,000 properties, mostly in the owner-occupied and terraced market (44 per cent of all houses in the Pathfinder area are terraced). The mismatch between demand and supply has been caused by migration and economic change. There are unpopular neighbourhoods, which suffer from severe deprivation, unpopular property type and design, location, acute environmental degradation, stigma and crime. Owner-occupation is relatively low at 53 per cent. Nevertheless, there is a relatively high rate of new build in the sub-region.

The prospectus states that a process of displacement is inevitable, and this is likely to be evident at the sub-regional level, conurbation, central city and neighbourhood levels. Various measures are proposed – including clearance, refurbishment and redevelopment, the promotion of town and city centre living, the regeneration of the core of the conurbation, the development of Service Level Agreements, the implementation of an employment charter, joint service planning and a community cohesion programme. These aim to fulfil the following objectives:

- balancing the supply and demand for housing in North Staffordshire
- providing sustainable neighbourhoods
- retaining and stabilising the population base
- improving the environment
- meeting housing needs and promoting social cohesion
- providing good quality housing stock, which fosters economic competitiveness and links to wealth creation
- reducing the incidence and fear of crime.

Oldham and Rochdale

The neighbouring boroughs of Oldham and Rochdale are to the north of the regional centre of Manchester, with good transport links, which lead to many people travelling out of the area for work. The population of 240,370 is fairly stable – in 2001, the population of Rochdale had increased by 0.6 per cent over ten years while it had decreased by 0.5 per cent in Oldham. The Pathfinder area covers 39 per cent of the population of the two boroughs. BME communities (mostly Asian) constitute 16 per cent of the population in Oldham and 14 per cent in Rochdale. The area experienced racial unrest in the summer of 2001.

Rochdale and Oldham are characterised by deprivation – they are ranked the forty-second and sixty-first most deprived local authorities in the country respectively, and more than one-third of the population of both boroughs live in the top ten most deprived wards in England. Poor health, fewer educational qualifications and lower incomes are widespread across the area. Half the households in the Pathfinder have an annual income of less than £15,000 – the national average outside the Pathfinder is £23,000. The loss of the textile industry has also had a negative impact on the economy of the area.

The development of residential settlements in Oldham and Rochdale followed a similar pattern. Both areas are dominated by older, smaller, owner-occupied, pavement-fronted terraces around the city centres, yet surrounded by social rented estates. Much of the terraced housing market, most of it in Council Tax Band A, is occupied by members of BME communities. Higher-priced housing is situated further

away from the town centre. Average property prices are higher in Oldham than in Rochdale. More than 12 per cent of properties in the area are overcrowded. Half of the borough's social housing and 70 per cent of Arms Length Management Organisation (ALMO) managed council homes are located within the Pathfinder's boundaries, and the sector is characterised by high turnover and high voids, which are expected to increase as a result of demographic change. It is predicted that the sector may suffer decline, because of demographic change.

The Pathfinder aspires to:

- pre-empt any anticipated decline in the social housing sector
- improve 'worn-out' areas
- aspire towards modern quality housing
- increase housing choice
- improve neighbourhoods
- achieve community cohesion
- increase opportunities for residents
- 'Rochdale and Oldham will be thriving, playing a new and dynamic role in the conurbation'.

These objectives are to be achieved through a programme of master planning and interventions (including an increase in the land available for the development of housing), the provision of more leisure opportunities, refurbishment of homes, restructuring of primary school provision, improvements in public sector housing, clearance of areas of small terraced housing in poor condition and ensuring that future housing developments contain a mixture of house sizes, style and types.

South Yorkshire

At 297,887, the South Yorkshire Pathfinder covers the largest population and geographical area in the programme. It covers part of all four South Yorkshire local authorities – Barnsley, Doncaster, Rotherham and Sheffield. The Pathfinder population has a varied ethnic composition. The population in the towns in the

Dearne Valley are predominantly white households, and North Sheffield and Rotherham have smaller minority ethnic communities, while, in East Sheffield, 25 per cent of all residents are Pakistani, with smaller proportions of Black and Bangladeshi households.

The Pathfinder area suffers from severe social and economic deprivation. The population includes people with a variety of needs – such as learning disabilities, frail elderly, asylum seekers and people with an addiction to drugs or alcohol. There is a shortage of people of working age and a high proportion of the 25–44 age group have migrated out of the area. Children, unemployed and sick and disabled people and older people are over-represented. The economy, formerly dependent on coal and steel, has been hit by acute industrial decline and consequently the region receives European Community Objective 1 funding. As a result of industrial restructuring, there is much derelict land in the area.

There are signs that the local economy is stabilising. Changes in aspirations and income levels mean that many households are looking for better quality housing, have higher expectations of their neighbourhoods and wish to move out of the social housing sector. There is a relatively low proportion of terraced housing and a higher proportion of semi-detached housing compared to other Pathfinders. Average property prices in 2002 were £42,662 (compared to the national average of £137,493). The area has a high proportion of local authority tenants (38.1 per cent, compared to a national average of 13.2 per cent), and, although the private rented sector has increased recently, it is still smaller than in any other Pathfinder area. There is an excess of social housing and a comparatively low level of homeownership, but there is a relatively low proportion of empty dwellings overall – the lowest of all the Pathfinders. Compared to South Yorkshire as a whole, a higher proportion of properties in the Pathfinder area do not meet decent standards.

A wide range of interventions are to be established by the Pathfinder including: neighbourhood warden schemes, security and target-hardening projects, master-planning projects, Accreditation and Support Schemes for Private Landlords, remodelling of stock, involving the community in the design process and establishing improvement and repair grants.

In summary, the aim of the Pathfinder is:

to build and support sustainable communities and successful neighbourhoods where the quality and choice of housing underpins a buoyant economy and an improved quality of life.

From this strategic aim, the Pathfinder has formed three objectives:

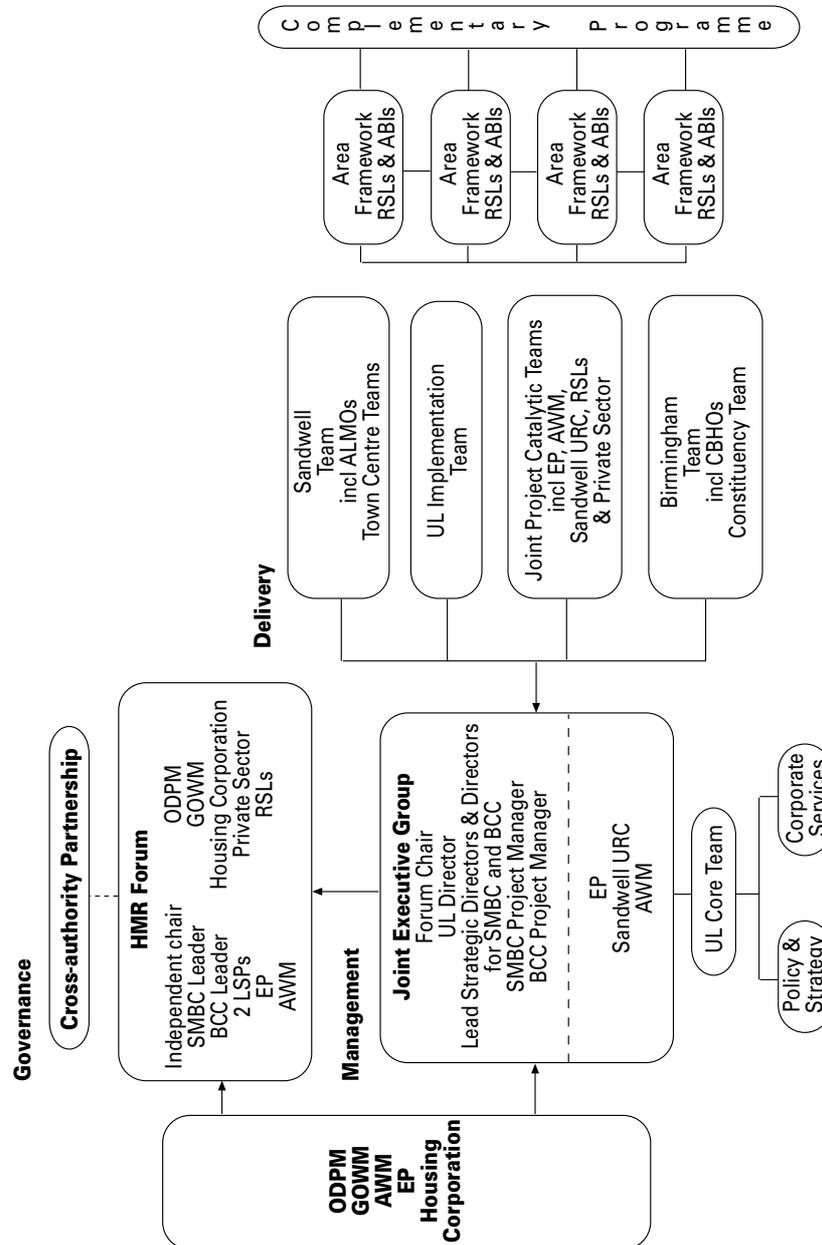
- to achieve a radical improvement in the character and diversity of neighbourhood: helping to secure more sustainable settlement patterns in the sub-region
- to expand the area's range of housing options: increasing housing choice in order to meet the aspirations of existing, emerging and incoming households
- to improve housing quality, ensuring that all tenures capitalise on the opportunities created through innovations in design standards and efficiency.

Appendix 2: Governance arrangements for Pathfinders

The information in this appendix is illustrative of the wide range of governance structures and processes established at the time of submitting the HMR prospectuses. In the scrutiny process that has followed, and as a result of developing the programme further, the arrangements have, in some cases, been revised. This information should, therefore, be taken as indicative of the type of arrangements originally devised by Pathfinders, rather than a definitive description of current processes.

1 Birmingham/Sandwell

Figure A2.1 Governance arrangements: Birmingham Sandwell

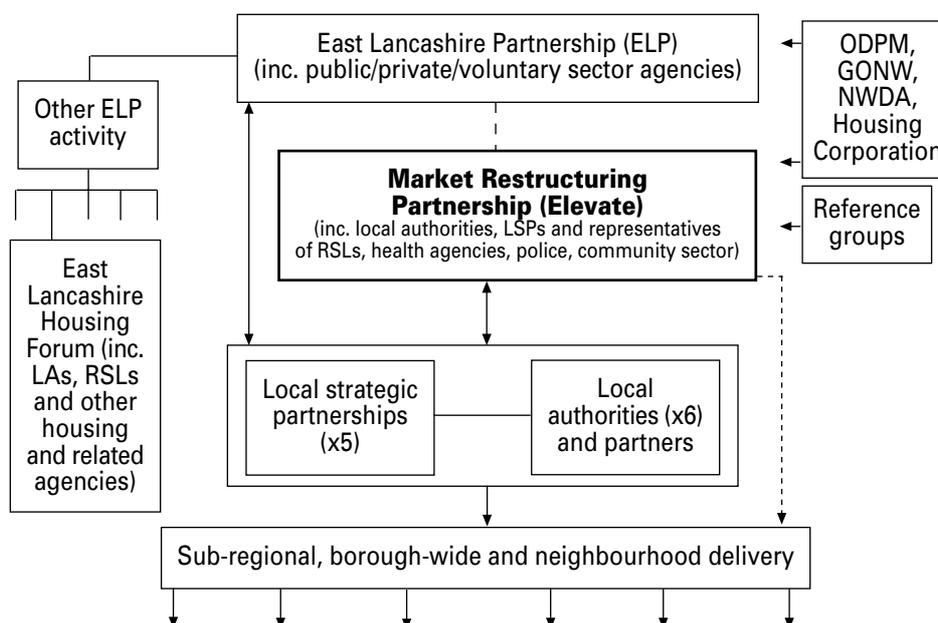


- A Partnership Forum governs the implementation and development of the Pathfinder programme. The Forum includes membership from the two local authorities, the local strategic partnerships (LSPs), area-based initiatives (ABIs) – including NDCs, Government Office for the West Midlands, English Partnerships, Advantage West Midlands, housing associations and the private sector.
- The Forum is supported by the Joint Executive Group (comprising the Forum Chair, the Urban Living Director, a strategic director, lead directors from the two local authorities and a project manager from each local authority with other partners acting in an advisory capacity) established to provide day-to-day strategic management and implementation of the programme. A core team, fulfilling a secretariat function and comprising a strategy team, a corporate services team and an implementation team, reports directly to the Urban Living Director.
- A series of delivery teams, responsible for development and implementation of the programme at an area level, report to the Joint Executive group.
- Sandwell MBC is the Accountable Body.
- The Pathfinder is in the process of setting up a Cross-authority Partnership, which will sit above the HMR Forum and will provide a framework for the planning and delivery of all mainstream services in the Pathfinder area. It will take on the terms of reference for the Forum.

2 Elevate East Lancashire

- Board members represent a broad range of partners and interests including the six local authorities, the five local strategic partnerships, the voluntary and community sector, the health sector, housing associations, the police and English Partnerships. Board meetings are also attended by senior representatives of government agencies in an advisory capacity – ODPM, Government Office North West (GONW), the Housing Corporation, the Audit Commission and the North West Development Agency (NWDA). There was no private sector representation on the Board when the prospectus was submitted.
- There are also a series of ‘reference groups’ (e.g. the East Lancashire Partnership Forum, a Local Authority Members’ Reference Group and a grouping of key housing associations) to ensure that decisions are subject to wider scrutiny and involvement.

Figure A2.2 Overall governance arrangements



- A dedicated management team is in place with its own terms of reference distinct from the Board. In addition, there is a 'core team', which includes representatives from partner agencies (including senior officers from each LA) to ensure ownership and consistency across the six local authorities.
- Lancashire County Council is acting as the Accountable Body for initial funding.
- Pathfinder progress is discussed and monitored at interauthority chief executive meetings.

3 Manchester Salford

- The Partnership Board operates at a strategic level, with the constituent local authorities working in partnership (with senior officers in each forming the Core Management Team) to take forward the operational detail and implementation of the programme. The Board has representation from the local authorities, English Partnerships, the NWDA, the financial services sector and development sectors. Non-voting members represent the Government Office NW, the Housing Corporation and the ODPM and there are clear terms of reference for the Partnership Board.
- A body has been established to support the Board and Core Management Team. The role of the Secretariat includes financial and outcome monitoring of Pathfinder activity and independent advice. Manchester City Council will act as the Accountable Body and an Integrated Secretariat will bind appraisal.

- The Accountable Body (Manchester City Council) and Salford City Council will ensure that proper audit arrangements are in place, strengthened by the role of Partnership Technical Advisers.
- The Audit Commission scrutiny report (Audit Commission, 2003b) concluded that appropriate governance arrangements were in place but (a) there was potential for confused responsibilities because of the complexity of some of the relationships and (b) it was not clear whether formal agreements between partners have been entered into to ensure legal accountability.

4 Newcastle Gateshead

- The Pathfinder is governed by a Steering Group with representation from the two local authorities, the LSPs, English Partnerships and a range of private sector agencies. The Steering Group has responsibility for the development of HMR proposals and decision making on use of resources.
- The Steering Group is supported by an Executive Group comprising senior officers from a range of (unspecified) stakeholder organisations and, below that, a core team. Several thematic and geographically based working groups report to the core team.
- Gateshead Council acts as the Accountable Body.
- The Pathfinder recognises the need to develop the existing Steering Group and ensure it is subject to monitoring and evaluation as the programme evolves.

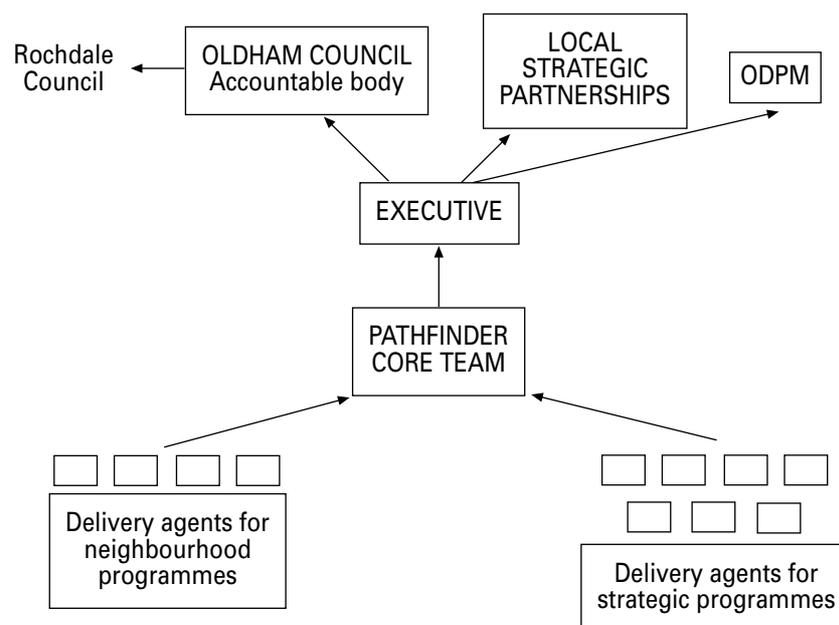
5 New Heartlands: Merseyside Housing Market Renewal Pathfinder

- The Board is a partnership between the three local authorities and the LSPs. It includes representatives from some other (unspecified) non-local-authority agencies but these members do not have voting rights. There is as yet no representation on the Board from the private sector or community organisations. The Board is not a legal entity and so has no power to make decisions on matters falling within the remit of the constituent local authorities. Consequently, it relies on the three local authorities to exercise its duties. Each of the local authorities uses its own existing governance arrangements.
- Liverpool City Council is the Accountable Body.

- A Lead Officers' Group, comprising officers from each local authority, together with the Chair and the Managing Director, report to the Board, and liaise with the Accountable Body. A Delivery Team responsible for developing interventions is being recruited within each local authority and a Pathfinder-wide Risk and Project Appraisal Group has been established with representation from New Heartlands, the Accountable Body and each local authority's delivery team.
- New Heartlands recognises the need to develop its governance arrangements and proposes to develop a new Board structure, complemented by a series of operational groups including the Lead Officers' Group, the Housing Association Forum and the Private Sector Forum.

6 Oldham Rochdale

Figure A2.3 Accountability for delivery



- The Housing Market Renewal Executive has overall responsibility for development and delivery of the programme. It provides strategic direction to the Pathfinder, sets strategic objectives and evaluates progress. The Executive includes members from the local authorities, the LSPs, English Partnerships and the private sector as well as non-voting members from the Government Office NW, the Housing Corporation and the NWDA. The Executive is responsible to the LSPs and Oldham MBC (acting as the Accountable Body).

- A Core Pathfinder Team has been established, reporting to the Executive, responsible for management of the overall programme. Together, the Core Team and Executive have commissioning, strategic direction and overall programme management roles. Delivery agents will enter into agreements with the Accountable Body and the Executive and Core Team will negotiate and finalise these agreements.
- The Audit Commission scrutiny report (Audit Commission, 2004e) suggested that there was a lack of clarity about the role of the Accountable Body in relation to the Pathfinder and that there were contradictory messages on accountability in the Pathfinder prospectus. The prospectus states that the Executive has overall responsibility for the programme, states elsewhere that the LSP will oversee strategy implementation under the direction of the Executive and states elsewhere that the Executive reports to, and is responsible to, the LSP.

7 Renew North Staffordshire

- The Renew Board includes representation from the four local authorities, county councils, English Partnerships, Advantage West Midlands, Government Office, the Housing Corporation, the Health Authority, the Police Authority, the sub-regional Strategic Housing Partnership, the National Housing Federation and developers.
- Stoke-on-Trent Council is acting as the Accountable Body, responsible for ensuring funds are applied in accordance with Market Renewal Strategy formulated by the Board and for project appraisal and financial management systems. Clear working arrangements between the Board and the City Council have been established.
- There is a dedicated Housing Market Renewal Team within the City Council, which has been supporting Renew and the Board in developing the prospectus and delivery arrangements for the Market Renewal programme. It is proposed that this team will be expanded to support delivery of the HMR programme.

8 Transform South Yorkshire

- The Partnership Board, with responsibility for decision making, allocation of HMR resources and strategic management of the Pathfinder, comprises members from the four local authorities, the four LSPs, English Partnerships, Yorkshire Forward Development Agency, the financial services sector, the development sector and housing associations.

- Sheffield City Council will act as the Accountable Body.
- Below the Board is a central Pathfinder team (employed by Sheffield City Council or on secondment from partner local authorities), reporting to the Board, with responsibility for overall operational management of the programme. The four partner local authorities co-ordinate, and are responsible for delivering, the ADF programmes.
- A range of legal and contractual agreements will be put in place to ensure that formal relationships exist between partner agencies. Funding agreements will be put in place between the Pathfinder (represented by the Accountable Body) and delivery agents for each funded project.
- The Audit Commission scrutiny report (Audit Commission, 2004d) concluded that strong governance arrangements were in place in the South Yorkshire Pathfinder but that it was unclear whether delivery agents were primarily accountable to local authorities (as co-ordinators of local delivery) or to the Pathfinder.

