

## Early development of the Housing Market Renewal programme

This study assesses the main issues that have arisen during the first phase of the Housing Market Renewal (HMR) Pathfinder programme in parts of the Midlands and North of England. In the first detailed examination of the origins of this important initiative in urban policy, it explores the scope and scale of activity and the complex issues facing the nine Pathfinders if they are to make the Market Renewal Programme successful. The study, by Ian Cole of the CRESR at Sheffield Hallam University, underlines the ambitious and innovative nature of the initiative and looks ahead to challenges that will remain as the strategies start to make a tangible impact on communities.

-  The review tends to validate the Government's decision to allow local strategies to develop without an unduly prescriptive framework. Different causes and manifestations of the problem exist in areas experiencing the most profound changes.
-  The social pressures created by transitional markets are difficult to manage. The revenue costs associated with the renewal process are not currently considered when central government allocates resources to local authorities.
-  Significant differences are evident in the organisational capacity of Pathfinders. Those in Manchester/Salford, Newcastle/Gateshead and Merseyside accounted for half the value of the bids made by the eight Pathfinders which had submitted their strategies by March 2004. This reflects the strength of their links with complementary public sector programmes and their relative success in securing private sector investment.
-  The researchers recommend that:
  - The nine Pathfinders should 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.
  - There needs to be closer alignment between housing market renewal programmes and regional economic development, spatial and housing strategies. Mechanisms will have to be developed to resolve conflict where contradictions in the public policy framework emerge.
  - Local authorities should demonstrate how they are allocating mainstream resources to facilitate market renewal.

## Background

The Housing Market Renewal (HMR) initiative developed rapidly from the initial thinking and research into vulnerable housing markets in 1998/9 to the launch of the Pathfinder programme in April 2002. A holistic approach to the economy, environment and housing at a sub-regional level has been promoted, demanding a significant change in the level of co-ordination of urban policy and expenditure programmes, both within the target areas and at the wider regional level.

The past eighteen months have witnessed a frenetic period of strategy development, programme review and negotiation involving the nine Pathfinders (in Merseyside, Manchester/Salford, Oldham Rochdale, Birmingham Sandwell, Newcastle/Gateshead, North Staffordshire, South Yorkshire, East Lancashire, and Hull and East Riding). The innovatory and radical nature of the programme has generated intense policy interest.

## The project

This project sought to inform the development of the first Pathfinder strategies through an interactive process which highlights common issues and challenges and identifies potential solutions. Three seminars were held - on delivery vehicles, community cohesion and strategic planning. The project also reviewed the genesis and subsequent development of the Housing Market Renewal programme and identified some of the main questions for strategy, policy and delivery. It offered an independent view on future policy issues.

The review does not cover similar ground to that made by the Housing Market Renewal team in the Office of the Deputy Prime Minister (ODPM) or by the Audit Commission, which has scrutinised each Pathfinder plan. 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 therefore provides a commentary on the development of the Housing Market Renewal programme to September 2004, based on a review of the market renewal strategies (termed 'prospectuses') submitted to the ODPM, discussions with key participants in the programme, and the authors' own experience in developing housing market research and renewal strategies. Given the ambitious scope of Housing Market Renewal, it will take several years for the public policy framework to adapt in order to facilitate market restructuring and renewal. The study is designed to contribute to the wider understanding of regeneration and to influence future policy debates.

## The HMR Pathfinder Programme

In April 2002 the Government announced the creation of nine Market Renewal Pathfinders in the North of

England and the Midlands. All exhibited housing market weaknesses, evident through high vacancy rates, increasing population turnover, low sales values and, in some cases, neighbourhood abandonment and market failure. Areas experiencing these trends were often extensive. Evidence suggested that the traditional neighbourhood approach to urban policy would not be sufficient to reverse 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 programme is supported by the Housing Market Renewal Fund, introduced to ensure that market restructuring could proceed in tandem with improvements to the environment and the economy. The ODPM, which administers the Fund, has encouraged the Pathfinder programme to develop through a devolved process - market renewal strategies have emerged without any restrictive framework from Whitehall being imposed. This devolution, and the freedom for local partnerships to design and implement solutions in response to local drivers of change, is a distinctive feature, marking a radical change in the relationship between central government and low-demand localities.

## Market renewal - a unique approach in urban policy?

The Pathfinder programme is distinctive in several ways:

- its spatial nature;
- the emphasis on a holistic approach;
- the processes of accountability and control; and
- the philosophy behind area-based interventions.

In place of the neighbourhood focus that tended to characterise the initial area-based initiatives to combat social exclusion and decline, there has been increasing recognition of the need for more sophisticated and multi-layered approaches in urban policy. In England, this emerging approach has been most evident in the commitment to stronger regional governance and the introduction of Regional Development Agencies and structures such as Regional Housing Boards. This has heightened interest in sub-regional partnerships and processes, whether through informal networks or more formal partnerships between local authorities or Local Strategic Partnerships.

The spatial basis of the Housing Market Renewal programme is unique in several ways. The boundaries were largely shaped by the scale and incidence of market failure, as identified through research. The designation of the areas has therefore been shaped by social and economic disadvantage rather than

administrative convenience. Pathfinders are thus multi-level programmes of intervention lodged in the context of new structures of multi-level governance - some cover parts of between two and five local authority areas. The ramifications of this approach have been profound.

If it is to achieve its potential, the programme will need to deliver an integrated and cross-sectoral approach. Crucially, although the programme concerns the renewal of local housing markets, the source of market failure covers factors such as fear of crime, lack of access to transport, failing schools and labour market change. But while the programme focuses on housing market change, it does not have a housing policy 'home' from which to join up with other strategies, sectors or services.

The different approach to policy-making has reflected a genuine shift in philosophy about how a partnership should be developed between central government and the locality. It was also a pragmatic response to a fast-moving agenda for delivery in areas experiencing rapid change. The programme provides considerable latitude for individual Pathfinders, and a flexibility of approach about how they should be supported by central government. Pathfinders were given a 'mandate to experiment', with a relatively light touch from the ODPM.

A general distinction can be made between 'inward-looking' and 'outward-facing' approaches to regeneration. The first type tends to emphasise the dynamics, resources and priorities *within* the neighbourhood; the second concentrates on how neighbourhoods might be better *connected* to nearby areas of growth and economic vitality.

'Outward-facing' approaches tend to operate on a more strategic plane, structured around a future concept of the neighbourhood, so the views and priorities of members of the existing community need to be balanced against those of households who are likely to be attracted to the area. This approach focuses on actual and potential connections between the neighbourhood and other resources, services and opportunities in the wider district, city or sub-region.

This 'outward' approach also offers a better-informed view of how much progress can be made in improving a specific neighbourhood within a wider geographical area. It may be better attuned to assessing the possibilities of creating change locally, given the constraints of long-term trends. However, the initial focus may struggle to gain support from members of the existing community, who will understandably be more exercised about improving current conditions.

### Delivering housing market renewal

It is difficult to compare the strategies of each Pathfinder, because of differences in timescale,

approach and spending profiles. Most activity in the first three years is devoted to site assembly, demolition, refurbishment, environmental improvements and community support. Proposals for demolition often attract most attention, but much may depend on whether communities have had recent experience of stock clearance. (The scale of planned demolition ranges from around six thousand properties in Birmingham Sandwell to over twenty thousand in Merseyside.)

Considerable revisions are likely to be made to the figures in the prospectuses, but housing market renewal will bring about a net increase in stock overall. The current number of planned demolitions (excluding Hull and East Riding) is 71,000, large by recent standards, but relatively insignificant compared with the 1950s and '60s. The planned number of new-build properties is 79,000. Much demolition is planned for the private sector, providing challenges for compulsory purchase, supporting vulnerable groups, offering alternative accommodation and managing the transition.

The Audit Commission's scrutiny reports recommended further action:

- the need for better understanding of housing market change;
- the development of targets to be achieved as the programme progresses; and
- the need to flesh out the forward programme.

The last two are no doubt inevitable as the activities move from the preparation of strategies to implementation and delivery, but they should not be divorced from the first - 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, i.e. how to monitor the wider impact of change once HMR interventions gather pace;
- the need to develop an effective masterplan, covering different policy sectors and adopting a neighbourhood-centred rather than housing-centred perspective;
- governance arrangements - not least the need to involve 'the private sector' more centrally; and
- the issue of risk assessment and management.

In some cases, the rationale to combat weak housing markets was judged to lack depth. The justification for the resources - whether directly from the housing

market renewal funds or from other sources of matched funding - was often poorly articulated. Prospectuses often contained a reasonably sophisticated analysis on a solid information base, but were linked to a conventional and modest bundle of interventions out of kilter with the need for an innovative and radical approach.

The Audit Commission scrutiny process also posed questions about the extent to which the interventions to address population decline and decentralisation would achieve desired outcomes. A key judgement lies in the extent of public intervention and infrastructural improvement required to attract 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. Housing market renewal teams will need to build up close working relationships with financial institutions and developers.

### Recommendations for the next steps

The researchers made the following recommendations for the next steps in housing market renewal.

- At this critical phase of the programme, it is important to:
  - clarify programme aims and objectives;
  - devise ways of meeting the social costs of market transition;
  - develop the repertoire of skills required to undertake strategic interventions in vulnerable markets;
  - ensure greater co-operation between the various agencies tasked with delivering the Urban Renaissance agenda; and
  - develop more robust linkages with developers and financial institutions.
- Good practice is evident in policy co-ordination at the heart of the market renewal programme, but greater strategic and operational integration will be needed as the increased resources from the 2004 Comprehensive Spending Review become available.
- The different operational contexts for the Pathfinder teams will have to be accommodated as the programme develops. The scale of decline and capacity to deliver should be incorporated into the national evaluation of the programme and review of delivery mechanisms.
- Unlike the clearance programmes of the 1950s and '60s, the HMR initiative is responding to and anticipating market change, but a 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. A research management framework which encompasses ODPM, academics, regional agencies, and local government should be developed to oversee this process.

- 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.
- 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. Central government should make a statement about the scale of long-term financial commitments it is prepared to plan for and, with regional partners, finalise the policy framework up to 2019.

### About the project

The study is based on a series of seminars with members of pathfinder teams and documentary analysis. The team was able to draw on operational experience since one member was the director of a pathfinder body.

### How to get further information

The full report, **The road to renewal: The early development of the Housing Market Renewal Pathfinder programme in England** by Ian Cole and Brendan Nevin, is published by the Joseph Rowntree Foundation (ISBN 1 85935 269 3, price £16.95).