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The Housing Market Renewal Programme in England: development, impact and legacy

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Preface

This report has been commissioned by the Chairs of the former Housing Market Renewal Pathfinders in order to ensure that the lessons learned from the Pathfinders are taken on board in the future development of regeneration policy. It also provides a record of the history and achievements of the Housing Market Renewal Programme and thus complements the Audit Commission's final review of the programme published in February 2011. It has been funded from the surplus which the Pathfinders made from their best practice seminars.

The recent report into regeneration by the CLG Select Committee mentions that, although they heard mixed views about the Housing Market Renewal Programme, at least one Local Authority regarded it as "one of the best government promoted regeneration schemes as it was based on a strong understanding of the key issues."

The Select Committee also stressed that "there is a great deal that can be learned from past approaches to regeneration." This report is not, therefore, a plea for the continuation of Housing Market Renewal. The Chairs have made well known their view that the end of the programme was premature and far too abrupt: that was also the view of the Select Committee. Nevertheless, the Housing Market Renewal Programme has now passed into history. We believe that its legacy, besides many thousands of families enjoying much improved lifestyles and living in far better neighbourhoods, is also in part the messages that it contains for both local and national policymakers in the future.

This report is, however, wholly the responsibility of its authors, Ian Cole, Brendan Nevin, Will Eadson and, particularly, Philip Leather to whom we are extremely grateful.

We commend this report to you.

The Chairs of the Housing Market Renewal Pathfinders

January 2012

Executive summary

1. This report sets out the impact of the Housing Market Renewal (HMR) programme which operated across highly disadvantaged housing market areas in the North and Midlands of England between 2002 and 2011. It also draws out lessons from the programme for the design of regeneration policy in the future.
2. The Housing Market Renewal programme aimed to reduce vacancy rates, improve the quality of the housing stock and address deprivation through linking housing investment with economic development and strategic planning.
3. Regeneration is not a quick fix. One lesson from the HMR and other regeneration programmes is that a long term commitment is needed by all the parties, including those funding the schemes. The HMR programme was prematurely terminated nine years into a fifteen year investment strategy, following the Comprehensive Spending Review 2010. Nevertheless, the £2.2 billion of HMR investment secured the refurbishment of 108,000 dwellings, 15,000 new properties and the clearance of 31,000 obsolete dwellings. Taking into account the success of the planning system in encouraging new development, 32,000 dwellings were constructed in the HMR areas, leading to a small increase in supply, compared to a fall of 23,000 dwellings in these areas in the previous decade. Vacancy rates were reduced across the HMR areas during the programme and in many individual neighbourhoods.
4. The investment supported 19,000 jobs in the construction industry and related industries in some of England's most disadvantaged communities. This report details some of the innovation in linking housing and economic development in areas with some of the highest levels of worklessness in the country.
5. The HMR areas were at the forefront of regeneration and renewal for nearly a decade and pioneered new approaches to renovation and addressing issues relating to empty property. Initiatives were supported by master planning and good practice in design and involved reconvertng flats into family housing, reinventing terraced property and providing finance to home owners to renovate marginal property.
6. The HMR programme was abruptly terminated and was incomplete, leaving much work, especially new construction, to be completed. The evidence suggests that the £7 billion of public and private investment which had been secured had reduced vacancies and in some areas had assisted in increasing population. However in general it had not been sufficient to prevent the continued outflow of the key family forming age cohorts from the affected areas.
7. The performance of individual Pathfinders was closely aligned to the performance of the local economy. However the capacity of localities to develop and deliver complex

regeneration programmes also varied between locations at the start of the programme, and this was also a factor which determined progress.

8. The HMR programme was a unique initiative in the context of English urban policy. It combined policy integration at the sub regional level, with a 'localist' approach to neighbourhood renewal which allowed partnerships to build bottom up development plans. The evidence based approach, the integration of capital programmes and the mix of interventions used to both change and preserve the built environment have produced lessons for future regeneration initiatives which must not be lost as the regeneration capacity is significantly reduced. Equally, the programme was not without its difficulties, especially in relation to financial planning, policy drift and the limits of the national evaluation. These lessons are reflected upon in this document.
9. A further point relates to private sector investment and its relationship to publicly funded renewal programmes. Over £4bn of private sector investment in new build has occurred in the HMR areas since 2002. This investment, and similar amounts of public sector investment, are now at risk. A risk assessment needs to take account of the different rates of progress and the different challenges which now face the Housing Market Renewal Areas.
10. The most important lessons learned from the Pathfinders are set out in detail in Section 4 of this report. Few of them are new, but the HMR Partnerships brought them to bear in an unprecedented way. Throughout the programme the integration of training and wealth creation with housing investment were married with investment in new infrastructure such as schools and health centres, thus ensuring more comprehensive regeneration. Such an achievement does not happen by accident. The relatively small sums of 'early wins ' money made available to the Pathfinders at the start of the process ensured that the local schemes were well planned and integrated and that the partnerships registered their presence locally from the start. The use of research and evidence throughout the programme, coupled with close involvement of both the local community and the private sector in neighbourhood planning, were also key features in successful regeneration.
11. In spite of media representation to the contrary, the main emphasis of the programme was on preserving and improving the existing housing stock wherever possible. Innovative approaches to the refurbishment of Victorian terraces in order to retain the original character of the neighbourhoods were used wherever this was practical. A range of house types, prices and tenures for new housing were also achieved in order to ensure a more balanced age and income profile.
12. It was a requirement of the HMR programme that plans and programmes were based on a sound and accessible evidence base. This transparency allowed both proponents of the programme and opponents of HMR to use the data in locally contested

debates, for example at public inquiries. Perhaps more importantly, evidence based policy gave residents, local politicians and policy makers confidence that there was a degree of rigour associated with investment decisions. Similarly, the nature of the Pathfinders, working across local authority boundaries, ensured not only the integration of planning policies and the capacity to tailor interventions to realistic assessments across the housing market but also the transference of regeneration and other skills between authorities.

13. The HMR programme also involved a different kind of relationship between central and local government from many previous regeneration programmes. The role of central government was to set the broad policy framework, leaving it to local partnerships to define their priorities and work programmes. Without this hands-off approach, many of the most innovative elements of the programme might not have taken place. Moreover, this approach ties in with the need for strong local leadership which is one of the major determinants of successful regeneration.
14. The evidence clearly shows that a failure of strategic planning contributed to the decline of inner city neighbourhoods. The planning system is currently subject to major reform which will decentralise decision making below sub-regional and housing market area level. The lessons learned from the major mistakes and weaknesses of planning policy during the 1980s and 1990s need to be considered carefully to ensure that outcomes which increase social and public sector costs do not emerge from a dilution of strategic planning and sub regional cooperation.
15. In the short term, there is a considerable risk that the worst neighbourhoods in the HMR areas will enter a renewed spiral of decline, with associated population loss, increased dereliction and an outflow of private investment. Finding an appropriate solution given the funding restraints will be exceptionally difficult and any new solution is likely to be more market focused and led by the private sector. This reliance on market forces will in itself be problematic. The market does not remedy housing market failure - even in a healthy market it requires public sector intervention and subsidy to ensure equitable outcomes achieved within an acceptable timescale.

1 The Housing Market Renewal Programme

Origins

1.1 Far reaching changes in the UK economy in the second half of the twentieth century left their mark on many of the urban and industrial areas of the North of England and the Midlands. The decline of manufacturing and mining industries in these areas and the subsequent decentralisation of employment and population to the periphery of cities and to locations with good modern transport linkages left behind concentrations of social and economic deprivation and a legacy of physical decline. By the late 1990s some cities – notably Manchester and Leeds – had embarked on economic recovery driven by the growth of service employment, but others were struggling. Public sector housing-led regeneration in the 1960s and 70s had created large-scale social housing estates left high and dry by a growing demand for home ownership, and the market-led growth of the 1980s and 1990s had only accelerated the decentralisation process, except in a small number of city centre cores. Large areas of the inner cities, and some dispersed areas of former industrial activity, increasingly showed symptoms of worklessness, deprivation, physical dereliction and, in the housing market, low demand for unpopular social housing and eventually high vacancy rates and the selective abandonment of older terraced housing in the private sector. These processes were assisted by the long recession in the housing market after the boom of the late 1990s which in the North and the Midlands led inner city areas to steadily fall behind other areas in terms of prices and which made better quality housing more affordable.

1.2 A concern to address these long-standing processes of decline and decentralisation lay behind the **Housing Market Renewal Programme** introduced in 2002, the achievements and legacy of which this paper examines.

1.3 The higher profile problems of unlettable social rented housing, and in the private sector falling house prices, high vacancies, and boarded up abandoned houses caught the headlines and the attention of politicians at the turn of the century. For the previous decade falling demand for housing in council estates was seen as a response to unattractive design or poor management rather than a wider issue of demand brought about by economic decline. Programmes such as Estates Action and the Housing Action Trusts were designed to improve housing management, redevelop the most unpopular stock and increase owner occupation. It came as a shock to housing practitioners, academics and the general public when, in some locations, older terraced housing neighbourhoods which were multi-tenure in nature also began to experience a collapse in housing demand.

1.4 The first indications of the potential scale of this ‘low demand’ issue emerged from research commissioned by Central Government to quantify and spatially identify where vacancies and low values predominated. This study (Bramley et al, 2000) identified 844,000 dwellings in low demand areas, of which 375,000 were in the private sector. A subsequent

study commissioned by local authorities and housing associations in the North West (Nevin et al, 2001) highlighted areas experiencing, or at risk of experiencing, these cross-tenure problems in detail and recommended that:

Central Government should create a new Housing Market Renewal Fund to finance long term strategies to renew housing markets [and] facilitate the improvement of sub standard housing, clearance of obsolete housing and the land assembly necessary for redevelopment. (Nevin et al, 2001, p. vii).

The HMR programme

1.5 The organisations supporting this study of housing markets in the North West formed a strong lobby and within months a Parliamentary Inquiry had called for the introduction of a Housing Market Renewal (HMR) Fund. By the end of 2001 a submission had been made to the Government's Comprehensive Spending Review which set out the framework for a 15 year programme to address the issue of housing market failure. Largely on the basis of the analysis of low demand developed by a study by CURS at the University of Birmingham, nine areas of low demand were identified as the focus of a 'pathfinder' programme of investment in housing, to be supported by measures to shift investment in other public sector programmes and to stimulate private sector investment. Eight of the nine areas covered parts of more than one local authority and collaborative working was seen as an essential feature of the HMR approach¹. The nine HMR areas are shown in Table 1.1 below. Subsequently, other areas with 'low demand' problems were identified and targeted to varying degrees by regional investment programmes and one additional area, Tees Valley Living, was added to the HMR programme.

¹ The ninth HMR area covered the whole of Kingston-upon-Hull, but involved a partnership with the surrounding district of the East Riding of Yorkshire. Detailed maps of the nine HMR areas can be found in *National Evaluation of the HMR Pathfinder Programme Baseline Report*, available to download from CLG's website at <http://www.communities.gov.uk/publications/housing/evaluationpathfinderbaseline>

Table 1.1 The nine HMR pathfinder areas and additional market renewal areas

Area name	Local authorities which included parts of the HMR area	Abbreviation used in this report
<i>HMR Pathfinder areas</i>		
Bridging		BNG
NewcastleGateshead	Newcastle-on-Tyne and Gateshead Blackburn with Darwen, Burnley, Hyndburn, Pendle and	EEL
Elevate East Lancashire	Rossendale	
Gateway Hull	Kingston upon Hull (but see note 1)	GW
Manchester-Salford		MSP
Partnership	Manchester and Salford	
NewHeartlands	Liverpool, Sefton and Wirral	NH
Partners in Action	Oldham and Rochdale	PIA
Renew North	Newcastle-under-Lyme, Staffordshire Moorlands and Stoke-on-	RNS
Staffordshire	Trent	
Transform South		TSY
Yorkshire	Barnsley, Doncaster, Rotherham, and Sheffield	
Urban Living	Birmingham and Sandwell	UL
Tees Valley Living	Hartlepool, Middlesbrough, Redcar, Stockton-on-Tees	TVL

1.6 The HMR areas contained high concentrations of people with low incomes, high levels of worklessness, high vacancy rates and low house prices relatively to surrounding areas. They contained 42% of the most seriously deprived neighbourhoods in England². But there were considerable differences in the characteristics of these areas and the problems which they faced, emphasising the complexity of economic decline and change. BNG, MSP and NH were based in and around the cores of major conurbations, with a legacy of population and employment loss and poor quality public and private sector housing, but in each case there were signs of economic recovery. The aim of HMR in these areas was to support economic growth and to ensure that its benefits were spread to communities in adjacent inner city areas suffering high levels of deprivation. TSY also included part of a core city (Sheffield) but in addition scattered former mining or industrial settlements requiring economic and physical regeneration. In EEL, problems of economic and physical decline were spread across a number of settlements of differing size in a large sub-region. In UL and PIA, the intervention area was within a conurbation but in a more peripheral location with problems of industrial decline and deprivation, where large BME communities demonstrated particular needs and opportunities for change.

1.7 These differences required different forms of intervention, and recognising this, central government adopted a relatively 'hands-off' approach to the development of the programme, leaving this to the specialist teams assembled in each area by local authorities working in partnership. Although the main focus of the Housing Market Renewal Fund was on capital investment in land and housing, the pathfinders were expected to influence a wide range of regional, sub-regional, local and neighbourhood strategies, policies and programmes in order to restructure housing markets. This recognised the limited impact of

² The 1% most deprived Lower Super Output Areas as identified in CLG's 2010 Index of Deprivation.

past housing-focused interventions and the significance of a range of wider factors including neighbourhood and environmental characteristics, the quality of services, investment in infrastructure, and policies such as those aiming to influence the location and type of new development, not just in the intervention areas but around them. A variety of other partners from both public and private sector agencies were involved in development and implementation through programme management arrangements which also differed from area to area.

1.8 Over the period 2002–2011 government made £2.2 billion of resources available to fund housing market restructuring initiatives in the nine HMR pathfinder areas, which contained 784,000 households and 1.9 million people in 2001 (CURS 2004). The programme began with a small programme of early wins, supporting projects which would have immediate impact. Each HMR area produced a detailed prospectus setting out the problems which required intervention, its objectives, and a phased programme of proposed interventions. Resources from the Housing Market Renewal Fund were made available to support this work and between October 2003 and March 2005, a total of £569 million was allocated to the nine pathfinders. This covered investment up to March 2006. Pathfinders were subsequently invited to make submissions for further funding and over £500 million was allocated for spending up to March 2008. In November 2007, funding of £1 billion was announced covering the period up to March 2011. Over £1 billion has additionally been directly invested in securing HMR outputs by other public and private sector partners during the life of the programme.

1.9 In October 2010, following a General Election, the Coalition Government announced that funding for the programme would prematurely cease in March 2011. Following adverse publicity over the impact of this decision on residents, the government announced that transitional funding of £30 million was to be made available to mitigate the impact of the termination of the programme in five HMR areas from mid-2011.

Outputs

1.10 Given the wide and varying objectives of the HMR programme, it is not surprising that there were a variety of outputs, as well as outcomes. Table 1.2 below summarises the main housing-related outputs from the programme identified by the Audit Commission in its 2011 review of the HMR programme covering demolitions, new building, and refurbishment (Audit Commission 2011). Initially, outputs were slow to build up because consultation with residents and the formulation of new plans took time. New building in particular was slow to take off because of the need to assemble sites for direct provision and to build the confidence of the private sector to invest in areas which the market had avoided for many years. After 2007, new build output fell back, but less sharply than the fall in new housing output nationally, thanks to HMR investment and Kickstart funding. Most critics of the HMR programme have focussed on the demolition of obsolete housing, but the table shows

clearly that refurbishment activity formed by far the main output throughout the whole 2002-2011 period.

Table 1.2 HMR funding and outputs 2002-2011

Year	2002- 2004	2004- 05	2005- 06	2006- 07	2007- 08	2008- 09	2009- 10	2010- 11**	Total
Spending (£m)	74.4	194.3	303.2	314.1	405.6	381.0	346.0	260.5	2,279.1
<i>Housing units</i>									
Demolition	4,780	3,375	3,984	2,953	3,922	3,987	4,678	3,308	30,987
Refurbishment	10,059	17,079	11,245	14,539	18,620	11,020	18,290	7,882	108,734
New build	445	524	2,389	3,889	2,529	1,424	2,342	2,238	15,780

Source: Audit Commission (2011). Note: ** 2010-11 figures are target not actual outputs.

1.11 Data on new build in the table above includes only dwellings funded by the HMR programme. Land Registry data on the sale of new dwellings shows that at least 32,000 new dwellings were sold in the HMR areas between 2002 and the end of 2010, creating a small net increase in the housing stock overall. This compares to a net fall of more than 23,000 in the number of household spaces in the HMR areas between 1991 and 2001 (CURS, 2004), despite the adverse impact of the credit crunch and economic recession after 2007. Turning around housing stock decline in these areas represents a tremendous achievement. Planned activity in the HMR areas up to 2010 would have increased the surplus significantly further. The average value (at price levels current in the year of sale) of all 32,000 new dwellings was £132,000, indicating an aggregate level of new build investment of over £4 billion in the HMR areas since 2002.

1.12 Comparing overall outputs with the dwelling stock in the HMR areas suggests that around 15-20% of dwellings were targeted by the programme directly before its premature end, and that around one in ten were subject to renovation activity, but this excludes action under other programmes such as direct investment in the public sector stock by local authorities and housing associations and private investment stimulated by the increased confidence which the programme has generated. Most HMR intervention programmes focused on specific neighbourhoods where action would have a real impact. In these areas, the impact of intervention has been much greater in stabilising markets, reducing vacancies, creating a more diverse and higher quality housing stock, and securing improvements to the environment and services. But in most areas, a great deal more public investment is needed before private investment can return with confidence. There is a real danger that nine years work will be undermined by the premature closure of the programme.

1.12 In its 2011 report, the Audit Commission, charged by government with the independent monitoring and evaluation of the HMR programme, concluded that:

By March 2011, pathfinders will have:

- refurbished more than 108,000 existing homes
- attracted private investment to complete over 15,000 new homes
- readied substantial sites for future development through selective acquisition and clearance of up to 30,000 properties
- generated some £5.8 billion of economic activity across the economy
- created some 19,000 jobs in construction and related industries
- helped maintain over 2,600 jobs in the construction industry each year

1.13 Housing investment outputs by no means capture all the achievements of the programme. A paper prepared by the HMR Chairs in 2006 lists a range of additional outputs from the programme which were less easily quantified (Table 1.3). The list reflects the work of HMR project teams in influencing strategic plans to ensure that these contribute to the revitalisation of the inner city and deprived areas where the programme was focused; their impacts on design quality and standards; their close working with residents to develop plans and proposals for the future of their neighbourhoods (an early incarnation of localism); their support for neighbourhood management activity; their work with private developers and landlords to secure private investment; and their role in meeting affordable housing needs. Chapter 3 gives more examples of these achievements.

Table 1.3 Other pathfinder achievements

Developed local intelligence on the operation of the housing market and how interventions can be effective which have fed into other plans and strategies
Linked housing interventions to the requirements of local economic development policies to ensure that housing contributes to rather than constrains growth.
Consulted extensively with local communities to develop plans for the future of their neighbourhoods
Developed plans and master plans setting out the future of their neighbourhoods as a basis for their own investment and investment by other agencies and private developers
Actively encouraged developers to provide new housing in areas where they were previously reluctant to do so
Stimulated design standards in new build and renovation
Provided skill building, training and employment opportunities for local residents and through their programmes supported many thousands of jobs in the construction sector and beyond
Improved and diversified the housing stock to attract a wider range of households, and provided a variety of affordable housing opportunities in intermediate tenures.
Funded environmental improvements in neighbourhoods which have made a vital contribution to improving attractiveness and sustainability
Worked with private landlords to improve housing management and housing conditions
Providing resources to support neighbourhood management and residents during the transition of their neighbourhoods

Source: Transition to Transformation: housing market renewal and our changing communities -submission by the Market Renewal Pathfinder Chairs to the Government's Comprehensive Spending Review, August 2006

1.14 Table 1.4 shows outputs from the individual HMR Pathfinders over the 2003-2010 period. To eliminate the impact of differences in the size of each Pathfinder, the outputs are

shown per 1,000 private dwellings in each area at the start of the programme. The table shows that there was considerable variation in the pattern of outputs at Pathfinder level. Refurbishment of dwellings formed by far the most significant output in all of the Pathfinders except in Gateway Hull. It was especially important in Newcastle and Gateshead, Manchester and Salford, Liverpool, Sefton and Wirral, South Yorkshire, and Birmingham and Sandwell. Demolition levels were much lower and more consistent, with the highest levels of demolitions in Newcastle and Gateshead, Manchester and Salford and South Yorkshire. New build was significantly higher in Manchester and Salford than in any other HMR area, reflecting the buoyant City Centre market much of which was contained within the intervention area. Liverpool, Sefton and Wirral also had a high level of new building. Conversely, East Lancashire, Hull, and Oldham and Rochdale only achieved very low levels of new construction, resulting in a net loss of dwellings in these areas.

Table 1.4 Refurbishment, Demolitions and New Build 2003/04-2009/10 per 1,000 private dwellings

	Refurbishments	Demolitions	New Build*	Net build
BNG	377.4	75.4	67.4	-8.0
EEL	137.7	45.3	21.7	-23.6
GW	22.8	14.9	33.2	18.3
MSP	232.8	64.1	175.7	111.6
NH	206.1	41.4	74.7	33.3
PIA	97.1	33.1	29.5	-3.6
RNS	181.6	42.2	54.2	12.0
TSY	213.2	56.3	46.9	-9.4
UL	260.8	43.0	39.5	-3.4
Total	181.1	45.0	61.8	16.8

Source: DCLG, HCA and Land Registry. * Figures for new build include 2002/03, the first year of the programme. Refurbishment and demolition outputs from the early action programme in 2002/03 are not available.

Conclusion

1.14 The HMR programme was an ambitious attempt to reverse decades of physical decline and the concentration of poverty and deprivation in inner cities and declining industrial areas in the North and Midlands, focusing not just on housing interventions but on measures to steer a wide range of public sector policies to make these areas better places to live, to restore private confidence and attract private investment.

1.15 In its first nine years the programme achieved an impressive volume of direct housing outputs and a variety of other achievements which have gone some way towards addressing its objectives, but much remains to be done. That problems remain reflects the long term nature of the challenge, not the failure of the approach.

1.16 In May 2011, the Housing Minister Grant Shapps, defending the decision by the Government to terminate the programme, was quoted as saying that 'Despite the best efforts of local communities the previous government's controversial centrally controlled programme of large scale housing demolition hasn't worked. It pitched neighbour against

neighbour and in some cases trapped families in abandoned streets' (Inside Housing, 2011). It is impossible to reconcile this claim with any of the independent evidence on the achievements of the programme established by the Audit Commission.

1.17 The recently published Department of Communities and Local Government Select Committee also received a mixed review of the impact of the HMR from those giving evidence. The authors would however concur with the Housing Minister and the CLG Select Committee evidence that at the macro scale the HMR programme can be seen to exhibit real achievements and important lessons for future regeneration programmes. But HMR had uneven spatial impacts, with economic development being the key to the more successful outcomes. It is also important to be mindful that the programme was terminated nine years into a fifteen year programme, and therefore the renewal process remains incomplete in many locations.

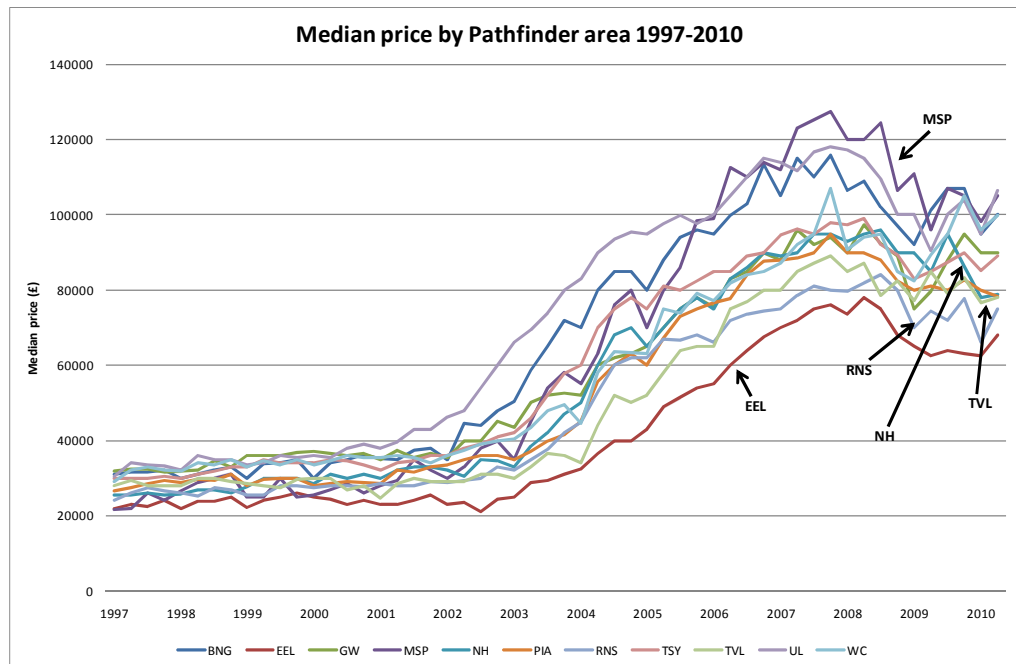
1.18 The HMR programme operated within the largest speculative boom and bust cycle in the modern history of housing policy. Section 2 details how the housing market changed before and during the implementation of the initiative, focusing on the relationship between housing outcomes, demographic change and economic development. Section 3 highlights a range of innovations developed by the sub regional partnerships, while Section 4 lists the lessons for policy makers which emerged during the programme, illustrating good practice which should be incorporated into or adapted for future renewal programmes, as well as pitfalls to avoid. Finally Section 5 reflects on the overall impact of the programme and the issues which remain unresolved.

2 Housing market, economic and demographic change in the HMR areas

Housing market outcomes

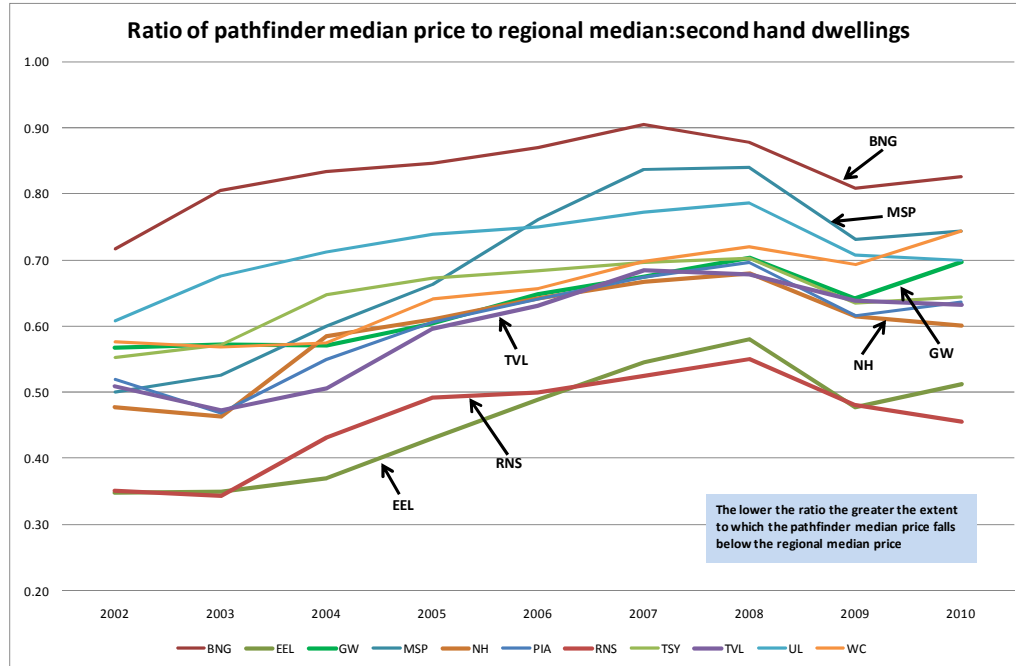
2.1 Falling house prices, low prices relative to surrounding areas, high vacancy rates in specific neighbourhoods, and low demand were the main 'symptoms' of failing housing markets which the HMR programme sought to address, as reflected in initial government targets. These problems were evident in the period when the programme was being planned, but it turned out that the programme was implemented during one of the most significant periods of general house price inflation that the UK has ever experienced. Figure 2.1 shows median house prices in the HMR areas over the period from 1997-2010. Prices rose steeply and consistently for most the period from 2003-2007. Furthermore, prices rose more steeply in the HMR intervention areas than in the areas in which they were located. Figure 2.2 shows the narrowing of the gap between HMR and regional prices which this produced over the same period. Rapidly rising prices and high sales turnover in the low value stock led some to argue that the market had corrected itself, and that the programme was no longer necessary. But although prices had risen in the HMR areas they still remained relatively low, and more vulnerable to the market downturn which has occurred nationally since 2008, with the region-HMR gap widening significantly.

Figure 2.1: Median dwelling price by HMR area (all sales)



Source: HM Land Registry

Figure 2.2: Ratio of pathfinder to regional median price: second hand dwellings



Source: HM Land Registry

Drivers of market change

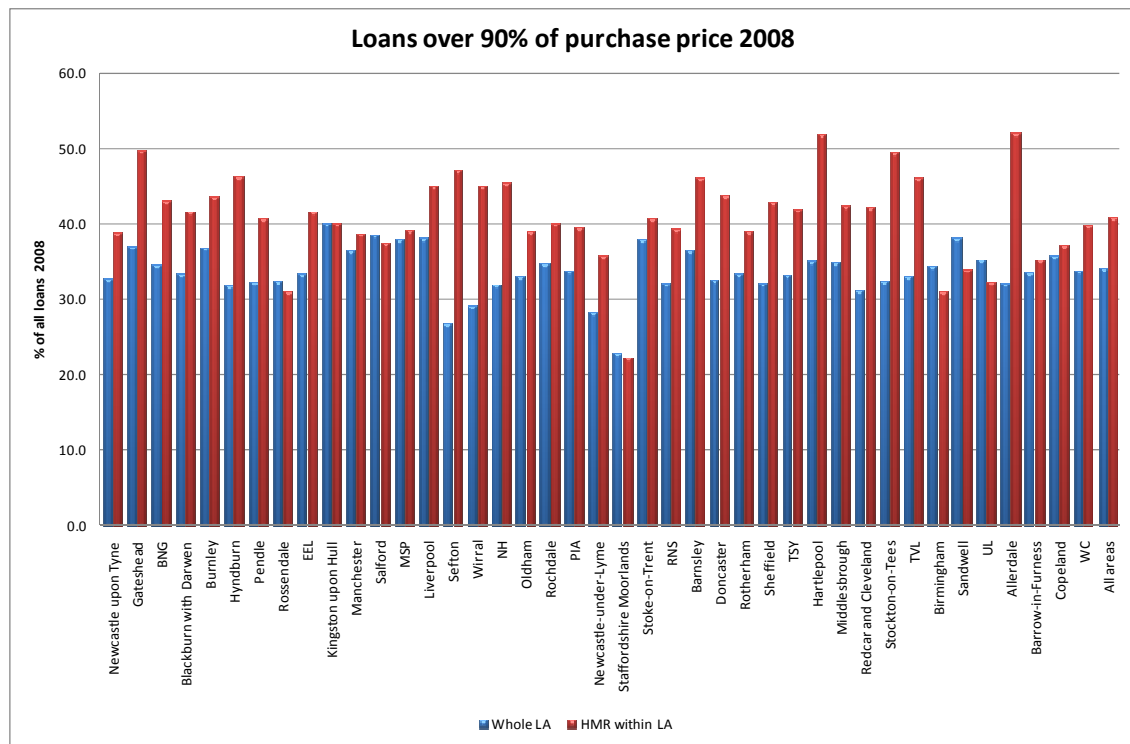
2.2 Rising prices in the HMR areas in the early stages did not of course reflect the impact of the HMR programme in reviving local housing markets, as investment and other activities had barely started at this stage. They followed the national pattern of price change over this period. Driven by demographic and economic growth, prices began to rise in the south of England in the late 1990s. In 2000-2001 growth spread to the more buoyant markets of the North. The HMR areas were amongst the very last to feel the impact, from early 2003 onwards. The driving forces behind these increases were economic, financial, demographic and speculative. Economic growth had been strong since the early 1990s and unemployment had reached record low levels. Real incomes had increased substantially for most households and there was pent up demand for housing which eventually overcame the lack of consumer and investor confidence of the 1990s. The strong demand for labour generated rapid population growth driven by net migration into the UK from abroad following the opening up of European labour markets and the expansion of EU membership into Eastern Europe. Even the Northern and Midlands regions, with a history of sluggish growth or even decline over two or more decades, benefited from this growth. The average household growth rate for the local authorities containing HMR areas rose from 1.5% over the 1991-2001 period to 8.2% from 2001-2011, exceeding the overall rates for the North and the West Midlands, although still below the England average.

2.3 Financial factors also contributed to the boom – historically low interest rates, the deregulation of mortgage lending, self-certification of incomes and the arrival of sub-prime lenders made it much easier to obtain and sustain a mortgage. The market was also

influenced by investors, attracted by the increasing supply of potential tenants as a result of economic growth and migration and assisted by the growth in buy to let loans.

2.4 In the HMR areas, increasing values had the initial effect of releasing a large volume of properties onto the market, as sellers previously trapped by negative equity saw their opportunity to sell. The relatively low values attracted investors, and for a time turnover rates increased substantially and prices rose sharply. In some neighbourhoods, auction sales to investors boomed, driving up prices further. Far from bringing positive benefits, the rapid price inflation caused major difficulties for the implementation of the HMR programme, as the unit costs of acquisition of land and housing and new construction rose and affordability problems emerged for first time buyers. Figure 2.3 shows that housing markets in HMR areas were highly exposed to potential price falls because of the dependence of buyers on very high loan to value ratios. In 2008, on average, around 40% of new loans in HMR areas represented more than nine tenths of purchase price, with the proportion exceeding 50% in a few areas. In the worst affected areas, neighbourhood management problems developed as a result of the legacy of absentee owners, often without the ability or intention to find tenants and to invest in much-needed renovation works.

Figure 2.3 Exposed lending in HMR areas, 2008



RMS via CLG

2.5 The rise in demand in the HMR areas was not uniform. There were important differences which can be linked to the differing economic fortunes of each area. Table 2.1 shows employment change in the local authorities containing HMR areas since 1995. Manchester and Newcastle’s economic success was reflected in MSP and BNG’s relatively

strong growth in prices and a reduction in the gap between average prices in these areas and their respective regions. At the other end of the scale, poorer economic performance in East Lancashire (EEL), Stoke (RNS), Tees Valley (TVL), Hull (GW) and Merseyside constrained the level of price growth. The table also shows a significant differences between individual local authorities within each HMR area, revealing for example, the seriousness of economic problems in Burnley within EEL, Liverpool's strong performance offset by weakness in Sefton and Wirral, the poor position of Stoke within North Staffordshire, and the poor performance of Birmingham. This emphasises the need to separately consider each HMR area, and the sub-areas and neighbourhoods within it, when judging future prospects. The table also shows the high level of dependency on public sector employment growth in the HMR authorities in the past compared with the national position. This makes these areas highly vulnerable in the future as public spending reductions bite.

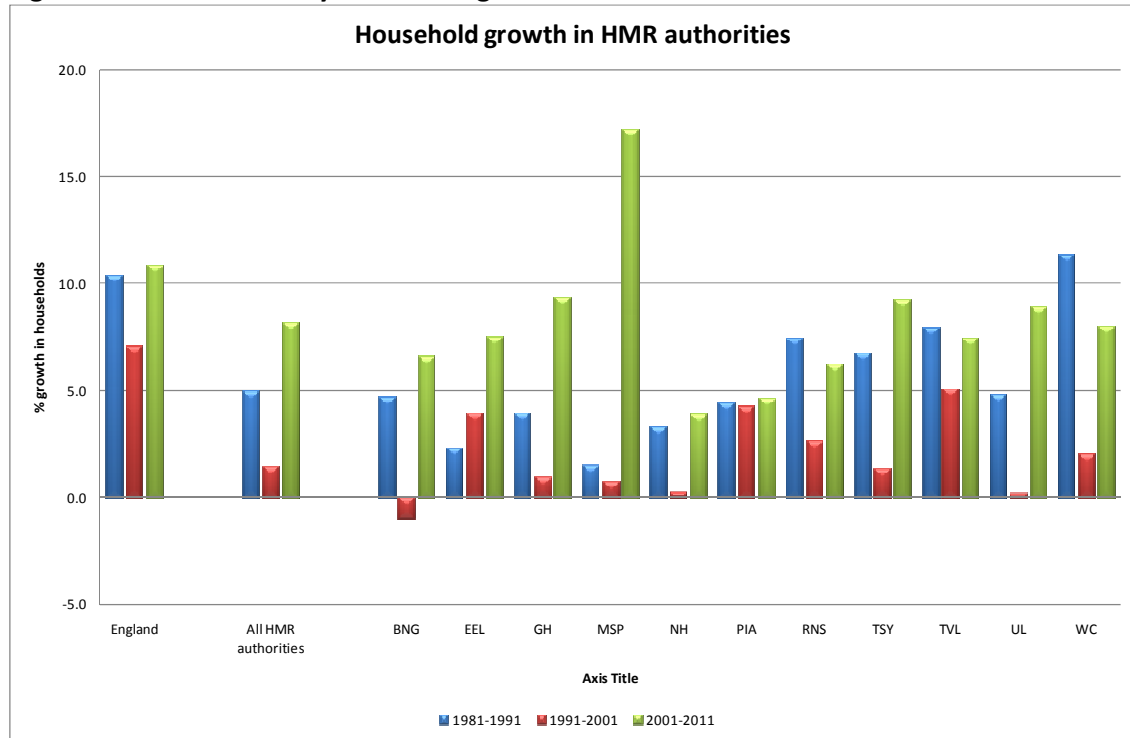
Table 2.1 HMR authority economic performance 1995-2008

	All jobs		Excluding public administration				All jobs		Excluding public administration		
	Change 1995-2008	1995-2008 as % of base	Change 1995-2008	Change 1995-2008 as % of base	% public employment 2008		Change 1995-2008	Change 1995-2008 as % of base	Change 1995-2008	Change 1995-2008 as % of base	% public employment 2008
Newcastle OT	22,672	14.8	12,555	12.9	38	Ncstle-UL	6,098	15.9	3,888	13.3	25
Gateshead	13,766	17.5	4,233	6.6	26	Staffs Moor	3,903	14.7	3,357	16.8	24
BNG	36,438	15.7	16,788	10.4	34	Stoke-OT	-3,406	-3.1	-12,897	-15.1	31
Blackburn	4,121	7	-877	-2	30	RNS	6,595	3.8	-5,652	-4.2	28
Burnley	-3,943	-10.8	-4,521	-16.2	28	Barnsley	5,888	9.3	805	1.8	33
Hyndburn	2,215	8.4	-756	-3.6	30	Doncaster	25,674	28.4	12,618	19.2	32
Pendle	-342	-1.1	-2,647	-10.6	26	Rotherham	24,819	33.3	13,167	22.6	28
Rossendale	264	1.3	-906	-5.4	25	Sheffield	35,174	16.5	8,046	5.1	33
EEL	2,315	1.3	-9,707	-7.2	28	TSY	91,555	20.7	34,636	10.6	32
Hull (GW)	2,541	2.2	-2,896	-3.5	31	Hartlepool	447	1.5	-1,920	-8.7	33
Manchester	48,976	19	29,561	15.8	29	Middlesb	3,548	6.0	-1,234	-3.3	43
Salford	14,717	14.3	13,802	19.8	29	Redcar/Cl	799	2.0	-3,059	-9.7	28
MSP	63,693	17.7	43,363	16.9	29	Stockton	9,722	14.0	4,169	7.7	26
Liverpool	38,003	20.1	14,139	11.4	39	TVL	14,516	7.4	-2,044	-1.4	32
Sefton	6,375	7.5	-1,162	-2.1	39	Birmingham	19,709	4.2	-23,622	-6.7	32
Wirral	4,231	4.6	156	0.3	36	Sandwell	3,745	3.0	-1,852	-1.8	23
NH	48,609	13.3	13,133	5.4	39	UL	23,454	4.0	-25,474	-5.6	30
Oldham	320	0.4	-5,896	-9.6	28	Allerdale	6,561	23.3	4,002	17.8	24
Rochdale	6,494	9.6	3,787	7.3	25	Barrow	4,175	17.8	3,315	20.1	28
PIA	6,814	4.7	-2,109	-1.9	27	Copeland	3,674	14.7	2,433	12.5	23
All HMR areas	308,399	11.2	72,684	3.6	31	WC	14,410	18.8	9,750	16.7	25
						England	3,823,392	18.7	2,312,353	15	27

Source: NOMIS

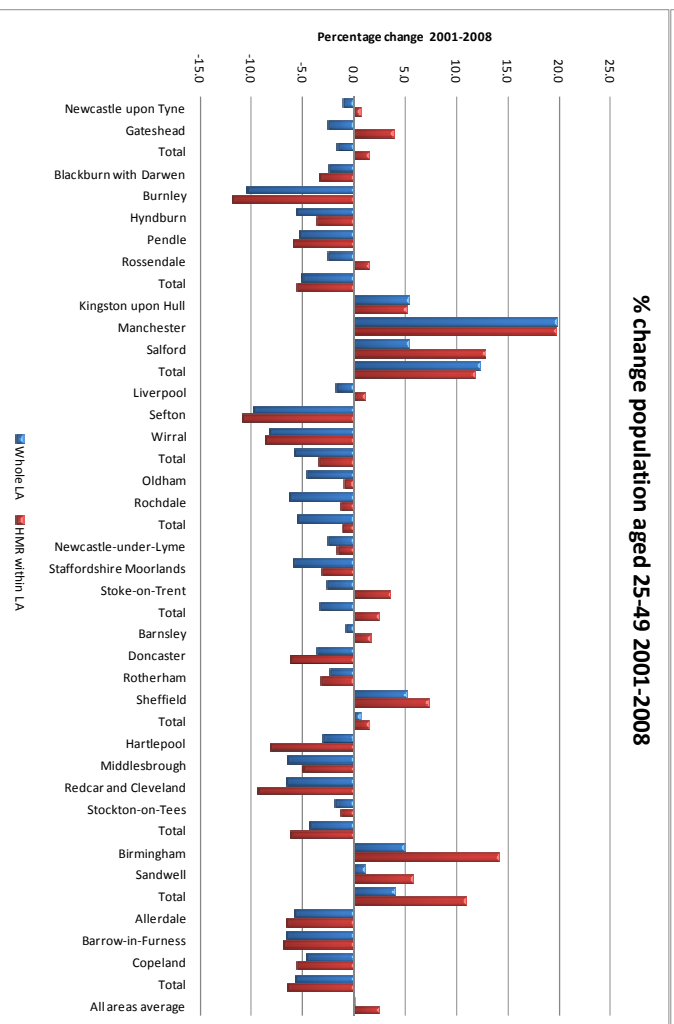
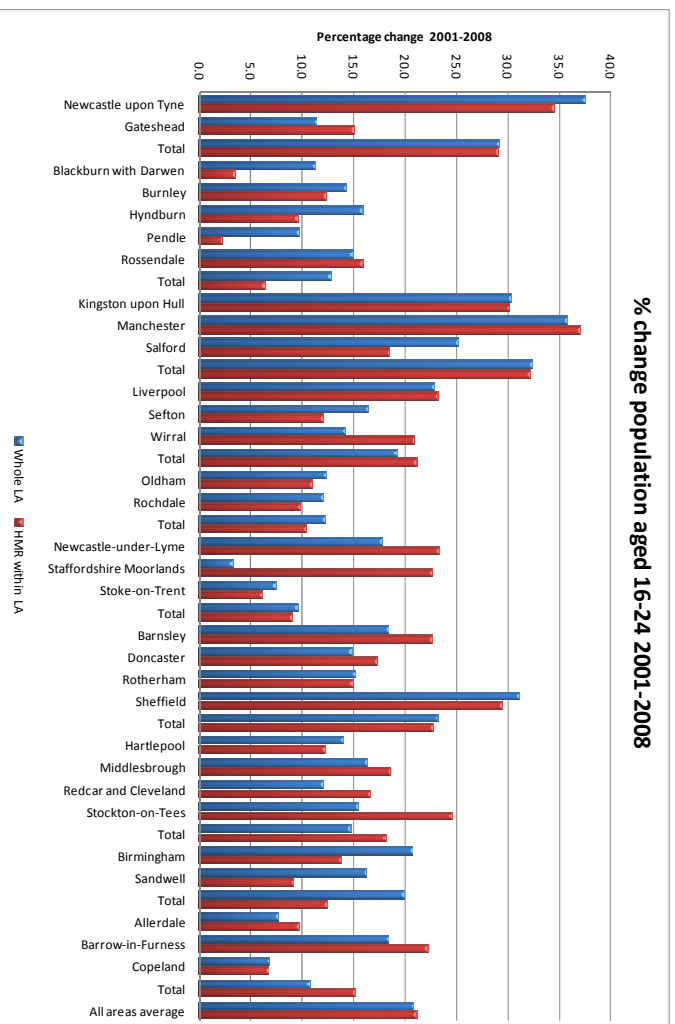
2.6 Differences between areas in economic performance also impacted on relative population and household growth. Figure 2.4 shows significant differences in household growth rates between HMR areas with Manchester standing out, reflecting its strong economy, and relatively low growth rates in Merseyside, Oldham/Rochdale and North Staffordshire. Figure 2.5 shows that the strongest growth was amongst young people aged 16-24, reflecting the importance of inward migration (and the growth in higher education numbers) in some HMR areas. Only East Lancashire, North Staffordshire and West Cumbria with weaker economies did not share in this growth. In contrast, the picture for population growth amongst people aged 25-49 is much more mixed, with most of the HMR areas experiencing population decline in this age group. This shows that the process of population loss from inner cities and declining industrial areas continued, despite the overall improvement over the 2001-2008 period.

Figure 2.4: HMR authority household growth rates



Source: CLG. Note: the chart shows combined growth rates for the local authorities containing HMR areas, as data is not available for intervention areas alone.

Figure 2.5: Population change by age group



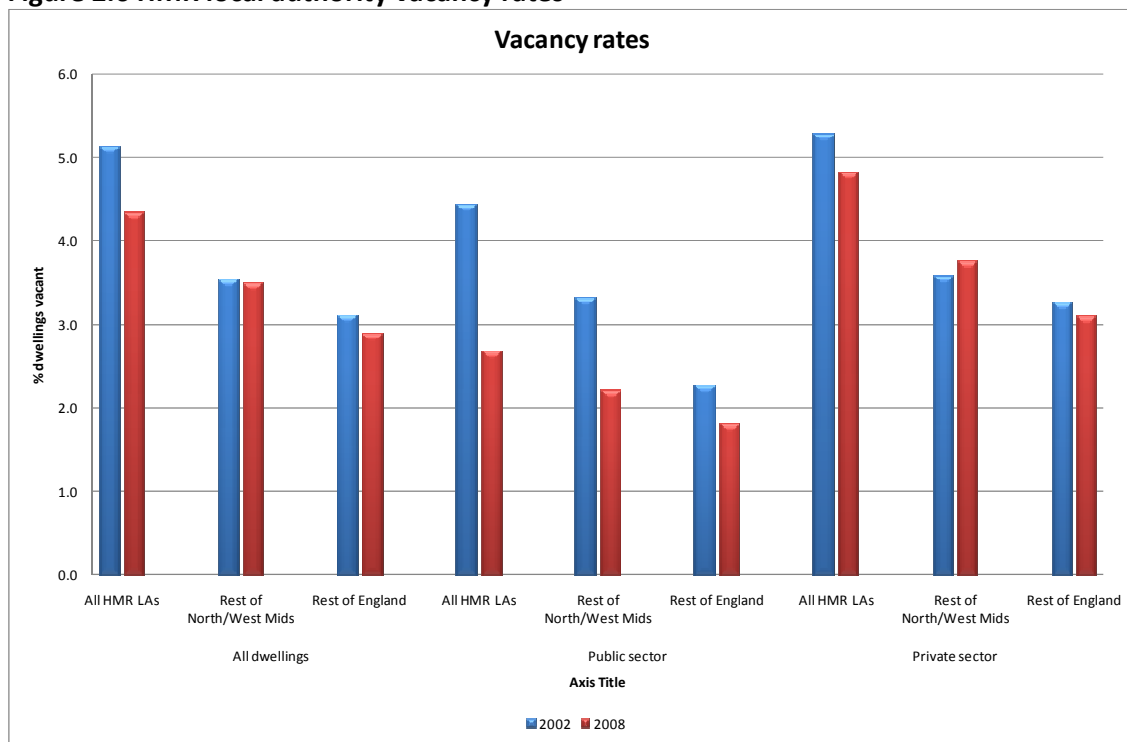
Source: ONS

Vacancy rates

2.7 Although movements in house prices were determined by factors which were significantly outside the control of the HMR projects, vacancy rates were more amenable to intervention. High housing vacancy rates were an important factor in establishing the HMR programme. In 2002, vacancy rates in local authorities containing HMR intervention areas were well above the national average of 3.4%. Private sector vacancy rates were much

higher than those in the public sector, but public sector rates in the HMR authorities were significantly higher than the national average (2.7%). The highest rates were found in East Lancashire, Hull, on Merseyside and in Oldham and Rochdale, areas with generally weaker economic performance. Nationally vacancy rates fell slightly between 2002 and 2008 to 3.1%. Most of the local authorities containing HMR areas achieved a greater reduction than this, notably BNG (Newcastle and Gateshead), MSP (Manchester and Salford), the South Yorkshire authorities and TVL (Middlesbrough, Hartlepool, Stockton and Redcar/Cleveland). Progress in reducing public sector vacancy rates was greater than that in reducing private sector rates. Despite this progress, vacancy rates in the HMR authorities remain well above national averages and there is clearly more work to be done in addressing this issue.

Figure 2.6 HMR local authority vacancy rates



Source: CLG HSSA Returns 2002 and 2008

2.8 High vacancy rates tend to be concentrated in specific neighbourhoods, so local authority-wide data can obscure severe concentrations of vacancies. Table 2.2 shows neighbourhood level vacancy rates in the HMR areas and the 31 'parent' local authorities where available³. The table highlights the proportion of Lower Super Output Areas with very high vacancy rates (over 10%) in the 31 local authorities and in the HMR areas within each. The HMR areas can clearly be seen to have much higher proportions of areas with high vacancy rates than their parent authorities, which themselves have high rates compared to local authorities as a whole. High vacancy levels remain a significant and unresolved issue

³ The table uses ONS data on vacancy rates at Lower Super Output Area (LSOA) level for 2007/2008. Some authorities did not provide data.

across many of the HMR areas, but especially in East Lancashire, Merseyside, Manchester, Wirral, Oldham, much of Teesside, Sandwell, and Barrow.

Table 2.2: Neighbourhood vacancy rates

		Whole local authority area			Pathfinder areas within local authorities		
		Percentage of LSOAs with vacancy rate:					
		Up to 5%	5-10%	10% or more	Up to 5%	5-10%	10% or more
BNG	Newcastle upon Tyne	87.9	8.1	4.0	79.4	11.8	8.8
	Gateshead			Missing data			
EEL	Blackburn with Darwen			26.7	0.0	31.8	68.2
	Burnley	50.0	23.3	Missing data			
	Hyndburn			12.3	22.7	54.5	22.7
	Pendle	52.6	35.1	2.3	20.0	60.0	20.0
	Rossendale	63.6	34.1				
GW	Kingston upon Hull	49.1	29.4	21.5	50.0	28.8	21.3
MSP	Manchester	42.1	45.6	12.4	24.2	58.3	17.5
	Salford			Missing data			
NH	Liverpool	50.9	36.1	13.1	15.2	53.5	31.3
	Sefton	78.4	19.0	2.6	43.2	51.4	5.4
	Wirral	71.0	25.6	3.4	19.4	61.3	19.4
PIA	Oldham	54.2	38.9	6.9	32.8	50.8	16.4
	Rochdale			Missing data			
RNS	Newcastle-under-Lyme			Missing data			
	Staffordshire Moorlands			Missing data			
	Stoke-on-Trent			Missing data			
TSY	Barnsley	67.3	30.6	2.0	52.9	29.4	17.6
	Doncaster	74.1	19.7	6.2	63.6	27.3	9.1
	Rotherham	86.7	12.7	0.6	77.5	22.5	0.0
	Sheffield	81.4	15.9	2.7	67.8	25.6	6.7
TVL	Hartlepool	77.6	13.8	8.6	42.9	33.3	23.8
	Middlesbrough	75.0	14.8	10.2	57.1	26.2	16.7
	Redcar and Cleveland	81.5	13.0	5.4	82.9	8.6	8.6
	Stockton-on-Tees	80.3	16.2	3.4	33.3	50.0	16.7
UL	Birmingham	87.2	10.1	2.7	71.4	20.6	7.9
	Sandwell	75.9	20.9	3.2	48.6	37.8	13.5
WC	Allerdale	75.0	25.0	0.0	58.3	41.7	0.0
	Barrow-in-Furness	68.0	24.0	8.0	56.7	30.0	13.3
	Copeland	67.3	32.7	0.0	66.7	33.3	0.0

Source: ONS. As a result of the large volume of missing data, vacancy rates cannot be aggregated to pathfinder level

Conclusion

2.9 This review of housing market and economic/demographic change in the HMR areas has shown that:

- Wider market forces rather than programme interventions dominated HMR housing markets in the early years of the initiative. Even a programme as large as HMR cannot insulate local neighbourhoods from the impact of such forces. As the

programme built up, its impact on intervention neighbourhoods was more significant. When the housing market nationally suffered as a result of the credit crunch and economic recession, HMR programmes mitigated the impact of the recession, particularly by sustaining new build. But the HMR areas were hit hard, not least because they were still seen by the private sector as areas of high potential risk, a perception which the ending of the programme has reinforced.

- HMR interventions up to 2011, whilst significant, had by no means addressed all housing market problems in the intervention areas – most were only work in progress. There is a real danger that any benefits will be lost and the prospects without the programme's influence in an increasingly grim economic future must be a major cause for concern.
- Economic growth was the underlying driver for population and household growth in many of the HMR areas after 2002. The HMR programme supported this by seeking to renew and diversify housing markets. But progress was partial and much more remains to be done. Overall population growth concealed continuing out migration from inner city and declining industrial areas by people aged 25-49, making their remaining populations increasingly unbalanced and transitional.

Despite the progress made, the HMR areas retain concentrations of deprivation, worklessness, low incomes and poor quality housing. Left to its own devices, the housing market in the HMR areas will at best create islands of new or renovated housing in city centres or a few other favoured locations, with the rest of the inner cities and declining industrial areas subject to increasing mobility and instability.

3 Wider achievements of the programme

3.1 The outputs described in the previous chapter were the concrete achievements of the HMR programme, but the programme also set out to achieve wider objectives and to be innovative in approaches to regeneration across the board. The examples of innovation set out in this section of the report reflect the diversity of regeneration approaches taken across the HMR areas, and as such they are not a definitive list of 'best practice'. They do however illustrate the wide ranging social, economic and operational objectives of the HMR partnerships and the extent to which investment was targeted at a wide variety of problems and solutions.

Partnership working

3.2 Strategic partnership working was critical to the success of HMR. Pathfinders were proactive in developing partnerships and in aligning their work with wider policy frameworks at sub-regional and local levels and going beyond housing to establish links between housing and economic development, environment, community safety, education and training and social cohesion. This included aligning work with other public investment programmes. In some cases this eventually led to the merging of strategic management and delivery functions with other regeneration programmes and agencies.

Regenerate Pennine Lancashire

In 2009 the Elevate East Lancashire pathfinder was incorporated into **Regenerate Pennine Lancashire**, a regeneration company with a broad remit to carry out economic development. RPL is owned by Lancashire County Council, Blackburn with Darwen, Burnley, Hyndburn, Pendle and Rossendale Councils. At the same time a sub-regional housing partnership oversaw the delivery of the sub-regional housing strategy, including the HMR programme. Pennine Lancashire Leaders and Chief Executives (PLACE was also established to provide an accountable body for overall decision making).

High-level Collaborative Boards

Urban Living in Birmingham and Sandwell was led by a Collaborative Board of regional, sub-regional and district level, which placed the HMR work in a wider strategic context and worked towards the integration of programmes. The Collaborative Board was supported by a Delivery Board, including representatives from local New Deal for Communities Boards and LSPs. An outcome was the development of collaborative projects such as a Learning Village in Sandwell incorporating a new campus for Sandwell College and a scheme to deliver employment, skills and training investment.

3.3 Engaging with the private sector was more challenging but the national profile of the programme and hard work at the local level helped to establish connections. The scope of the programme and its access to resources attracted the private sector which saw that the initiative offered more than just a 'talking shop'.

A systematic approach to engaging developers

In Birmingham and Sandwell, Urban Living created a developer partner framework agreement to provide a sound context and starting point for the development process. The zoning of areas gave developers freedom to operate and was important in overcoming their reluctance to be involved in the HMR area. It also produced long-term commitment and engagement in strategic planning. NewHeartlands also used a framework agreement with developers on Merseyside.

Using evidence to develop and monitor the programme

3.4 A robust evidence base to guide intervention was a core element of the programme for Pathfinders from the outset. All the projects used commissioned research and their own data to make better and more informed decisions – a lesson the present government could do well to remember.

Understanding the market in Newcastle/Gateshead

Bridging NewcastleGateshead commissioned a large programme of research which fed into decision-making and included Neighbourhood Renewal Assessments, community consultation, estate and lettings agents surveys, new build buyers surveys, graduate housing preferences, community cohesion research, private landlords surveys and housing market modelling. The research included innovative studies of: the role of the creative and cultural sector in HMR areas; and residents' and developers' design preferences.

Housing needs and migration in Birmingham and Sandwell

In line with its commitment to community cohesion the Urban Living pathfinder developed a detailed evidence-base on asylum seekers, refugees and economic migrants to the area and commissioned research on the employment and housing needs of these groups. The findings were used to develop an action plan for the private rented sector and to influence other strategies.

3.5 All of the pathfinders developed ways of tracking housing market change within the context of broader changes to neighbourhoods.

Tools for monitoring housing market and neighbourhood indices

The Manchester Salford Partnership used Geographical Information Systems to track changes to a basket of key indicators of neighbourhood change going beyond housing to cover employment, educational attainment, crime, and health. The analysis was broken down to a fine grain to ensure that neighbourhood changes were picked up effectively.

An early warning system for North Staffordshire

RENEW developed a system to alert stakeholders to the early signs of housing market decline or failure. This used a three indicators: house prices, long-term voids and the level of private turnover at a variety of geographic levels and as a time-series spreadsheet or a series of maps. The model was used to ensure that HMR investment continued to target the areas most in-need.

Renovation and innovative approaches to dealing with empty homes

3.6 The Pathfinders have developed a range of solutions to the problems of low demand and empty property which are now recognised as good practice in campaigns for resources being developed by the Empty Homes Agency.

Urban Living: Deconverting Victorian Houses

The Pathfinder in Birmingham started the process of addressing concentrations of low demand flats which were located in three and four storey Victorian houses converted for smaller households in the 1970s. Demographic change has meant that larger families now struggle to find appropriate accommodation and the deconversion programme made an important contribution to the supply of larger accommodation in North West Birmingham.

Chimney Pot Park, Salford

Chimney Pot Park, developed by Urban Splash for the Manchester Salford Partnership won a CBE Gold Standard building for life award and a RIBA Northwest Award for Architecture for the redesign of a pre-1919 terrace of housing. The development involved turning the houses 'upside down', placing bedrooms on the ground floor and living space such as a balcony and garden on the first and second floors.

Reinventing the terraced house in Nelson

HMR transformed a terrace of seven 'two-up, two-down' properties which had suffered from low demand and had fallen into dereliction in Nelson using the 'tardis terrace' concept. This involved retaining house frontages to maintain traditional architectural styles, but radically altering the internal space by opening it up to create a 'loft' apartment feel. Properties were made lighter by creating a mezzanine level on the first floor and placing windows in the roof. The aim was to make the properties attractive in new markets – particularly young professionals – and to avoid demolition. In addition, two new four bedroom 'family' homes were created by joining two sets of adjoining houses together. The concept – also used in Preston and Manchester – has received recognition through the Affordable Home Ownership Awards and from the Empty Homes Agency.

Master planning

3.7 HMR required detailed master planning in the programme's major intervention areas. This involved extensive engagement with local communities, developers and other local stakeholders and the application of planning and design skills.

Enquiry by Design in Nelson

In Nelson the Elevate East Lancashire pathfinder worked with The Prince's Foundation on an 'Enquiry by Design' exercise to produce a master plan for the Whitefield area. The aim was to ensure that the local community were at the heart of plans for the area. An intensive design and consultation exercise was carried out over five days, including public sessions and detailed workshops. A key issue was to balance the heritage of the area with the preferences of residents. A master plan was produced and endorsed by the community at the end of the enquiry.

The Langley Land Pooling Agreement

The Partners In Action master planning process for Langley in Rochdale involved a pioneering land pooling agreement. Land pooling aims to provide an alternative to the use of Compulsory Purchase Powers. Land owners combine voluntarily to participate in land assembly, servicing and disposal. Land acquired and made ready for development by the HMR was pooled with land owned by Riverside Housing Group to create new development sites which could not otherwise be brought to market.

Design and delivery

3.8 There are many examples of innovative design in HMR areas.

Boklok In Gateshead

In the Old Ford area of Gateshead, the HMR engaged with developers Ikea and Skanska to develop the first example of the 'Boklok' homes concept in the UK. This uses factory design and construction to provide space-saving, functional, affordable homes. HMR gap funding was used to raise the eco-homes standard on this scheme from very good to excellent.

Good Practice Guides (MSP)

The Manchester Salford Partnership produced good practice guides for partners involved in delivering HMR and regeneration in Manchester and Salford. These covered community engagement, partnership working, risk management and work with developers. Each guide included general principles for good practice, in-depth of discussion of processes, toolkits for dealing with particular elements of delivery and case studies of particularly successful examples.

Delivery Design Quality

Transform South Yorkshire developed its Delivering Design Quality approach to offer practical and financial support to house-builders and developers committed to improving their design standards. The approach was funded by a partnership of Transform South Yorkshire, the Home Builders Federation, CABE and the four local authorities in the HMR area. It included free access to technical expertise through an Advisory Panel, training programmes for developers and a Design Enabling Panel. Workshops were held to promote sustainable and low carbon design and construction.

Assisting with economic development

3.9 As the HMR programme developed, its contribution to promoting economic development increased. Neighbourhood regeneration needs a basis of economic prosperity to succeed and housing development and renewal can play a crucial part in supporting economic growth.

Boosting economic development

CLG's Key messages from the evaluation of the HMR programme published in 2009 pointed to four particular examples of good HMR pathfinder practice in promoting economic development:

- NewHeartlands played a part in the development of a city employment strategy for Liverpool and implemented programmes for construction skills.
- BNG were involved in the development of a prospectus for employers to use when attempting to recruit staff to the sub-region.

- PIA were involved in an organisation formed to generate strategic development such as new Business Parks, university expansion, and redevelopment of town centres.
- Renew North Staffordshire worked to co-ordinate economic and transport development to align with the HMR programme.

The Regeneration Multiplier Effect

Tees Valley Living's HMR programme attracted investment from public and private partners. In the Mandale area of Thornaby, HMR gave developers confidence to implement more intensive regeneration in the Thornaby District Centre than previously envisaged. In Middlesbrough, clearance in St Hildas removed an area of high crime, which improved the image of the area, giving investors more confidence to invest in prestigious new non-housing development. This included a new police headquarters for Middlesbrough, and a creative and digital media cluster development. The master plan and subsequent investment in the area through HMR were a crucial catalyst for these developments.

Constructing the future

Constructing the future was launched by Elevate East Lancashire in 2003. It aimed to increase the supply of apprentices and skilled labour to the construction industry in East Lancashire, to develop the construction industry in the sub-region, particularly through helping local firms to secure work on the HMR programme, and to increase local employment prospects in the construction industry. The project was developed and funded with the local economic development and training providers, including Lancashire Economic Partnership, Learning and Skills Council, Business Link North West and the Centre of Construction Innovation North West. Constructing, building on the opportunity provided by the large level of investment involved in HMR to create local jobs. By 2008 the project had provided one to one development support to 40 companies, 65 jobs working on Elevate refurbishment projects, 8 apprenticeships working on Elevate projects and 16 apprenticeships from the BME community working the wider local industry.

Training and employment

The B4Box programme in the Manchester Salford Pathfinder provided apprenticeships and work experience. This involved a year of work and NVQ 2 level training. 80 per cent of participants were people in receipt of benefits living locally. The Step 1 project in the Lower and High Broughton intervention areas aimed to provide training for disadvantaged local residents. The project focused on skills for the construction industry, but also provided training for retail employment and resident consultation. 20 local residents achieved accreditation and eight continued into further training. Only 25 per cent had a qualifications before joining the scheme.

Financial inclusion

3.10 Pathfinders and partners developed many financial products to help potential home-buyers to access affordable mortgages. They developed instruments to help owner-occupiers affected by clearance to find new housing and other financing arrangements for potential and current owner-occupiers following the sharp reduction in availability of credit that began in 2007.

Homeswap (MSP)

Homeswap was developed by Salford City Council to offer owner-occupiers affected by clearance the chance to transfer their mortgage to another property in an area not affected by development. This reduced the costs of moving home and provided a degree of protection from house price increases. Homeswap was also used by New Heartlands and Partners in Action.

Shared equity and clearance

The Hull Gateway Pathfinder developed an innovative shared equity product for people facing relocation as a result of clearance programmes, working with Places for People Homes, who provided half of the finance. This allowed increased compensation levels to be offered to residents in clearance areas, and opened up the scheme to tenants as well as homeowners. The product also gave the option to buy more equity in stages over the life of the mortgage.

Multiple Choice Tenure (RENEW)

As a result of problems in selling properties in the depressed housing market since 2007, RENEW in North Staffordshire worked with the developer Compendium to offer potential residents a multiple choice tenure on houses. Compendium adopted a joint marketing approach with an aim to tailor products to individual needs.

Community engagement

3.11 Some of the most innovative work by HMR Pathfinders was in engaging with communities to secure better regeneration outcomes. Pathfinders were keen to secure involvement in master planning, design and delivery and in the processes of dealing with change and upheaval. Some pathfinders also developed community cohesion strategies.

3.12 Pathfinders worked to find innovative methods of engaging communities in the master planning and design process. These included:

- Surveying resident attitudes.
- Engaging young people in schools and holding young people's conferences.
- Using computer design tools to help residents visualise and compare renewal options.
- Residents panels.
- Road show events.
- Visits to other pathfinder areas to familiarise residents with developments.
- Broad-ranging initiatives aimed at fostering residents' social, cultural and historical connections with their local area.
- Dedicated 'one-stop-shops' and drop-in centres in HMR areas.
- Consultation with hard to reach groups or on specific issues
- Information packs for residents.
- Arts and cultural events.
- Architects 'in residence' in HMR areas.

Sense of Place project

Urban Living's Sense of Place initiative aimed to ensure the 'co-production' of master plans by residents, council and consultants. A wide range of approaches were used including a community website, a toolkit for renewal, the employment of four residents as community researchers, engagement of residents through arts projects, community architecture and digital gaming technology, workshops to train 'citizen journalists' in partnership with the BBC), publication of heritage postcards and walking guides of the area, and the use of storytelling (via the community website) to share residents 'sense of place'. The project was Highly Commended in the 'Leadership of Place' category in the 2010 HCA awards.

Innovative techniques

BNG employed consultants to run road show events and collect resident opinion across the pathfinder area. Innovative methods used to engage people included a film, a puppet show and story boards. Over 400 people engaged in the road shows and 740 written responses were received.

Residents Sounding Panel

A Residents Sounding Panel was founded in 2006 by the Oldham-Rochdale HMR to scrutinise and inform its approach to renewal. The Panel was made up of residents from the different neighbourhoods, age groups, socioeconomic and ethnic backgrounds and housing tenures. Members of the panel were nominated by residents in each neighbourhood. The Panel provided an effective forum for residents to influence decisions on overall strategy and delivery, the development of Partners in Action's engagement strategy, and revised spending priorities following severe budget cuts in 2010.

Living through Change

The NewHeartlands in Merseyside developed its Living through Change programme which for managing neighbourhoods undergoing intensive intervention. The programme included environmental projects, teams to respond rapidly to graffiti, rubbish dumping and vandalism, diversionary activities for young people, street parties, fruit and vegetable cooperatives, and in some areas extra police officers and neighbourhood 'handypersons'. The pathfinder set aside a budget specifically for such projects, with the aim of supporting the community through transition.

Compass Regeneration Academy

The Wirral Community Compass Regeneration Academy offered residents training delivered by regeneration professionals covering community involvement, regeneration and the media and neighbourhood management. The Academy was originally funded through a Housing Corporation Innovation and Good Practice Grant and won the Skills, Training, Learning and Workforce Development category at the Creating the Future 2006 awards. It was also highly commended at the 2006 Regeneration and Renewal awards.

Cohesion Counts

Partners in Action in Oldham and Rochdale made community cohesion a primary objective and worked to remove barriers to choice of housing, to reduce segregation and increase engagement between different groups. In 2008 the Pathfinder set up the Cohesion Counts project, funded by the Housing Corporation's Innovation and Good Practice fund. The project tested different ways of building and measuring cohesion, with the results disseminated through a website. From the evaluation of these initiatives, Cohesion Counts developed a toolkit for delivering and measuring the impact of cohesion projects.

Conclusions

3.13 These examples illustrate the wide range of innovative practice and wider impacts from the HMR programme. The key lessons which have emerged from the programme can be summarised as follows:

- *Changing market is a long term process:* the HMR programme demonstrates that action on the scale required to tackle decades of housing market decline in inner

cities and older industrial areas is a long term process. It requires comprehensive research to understand the drivers of change, consultation with communities and stakeholders, and intervention programmes which require time to acquire and assemble sites, demolish obsolete housing and remediate land where necessary, and refurbish homes or build new ones. Long-established demographic and economic trends are very hard to influence. Exerting an influence over other areas of public policy and building the confidence of the private sector are also processes which take time to implement. As the fate of the HMR programme shows, a stable and long term programme is difficult to reconcile with political processes.

- *The economic context is vital to success:* regeneration programmes must be closely integrated with economic growth policies, so that they provide support for economic growth by providing the right housing in the right places at the right time, and by directly creating the demand for employment and the other economic spin-offs of regeneration programmes. Likewise, without growth tailored to meet employment needs, regeneration programmes will not secure sustainable change.
- *Markets are unpredictable and hard to influence:* developments in local housing markets during the lifetime of the HMR programme demonstrate the difficulties of working in private markets and predicting the trajectory of market change. Rising prices in the wider market generated increased intervention costs which posed major problems for the HMR programme, whilst at the same time creating a new set of affordability problems which were not anticipated at the outset but which required shifts in direction to deal with them.
- *Large scale regeneration must involve residents:* involving residents has long been seen as a crucial feature of regeneration programmes and the focus of the programme on the private sector made this even more important. Residents contributed to the understanding of local markets and neighbourhoods and to the development of intervention programmes and this involvement was an important factor supporting the programme in the face of opposition to proposals. Resident involvement also led to the development of wide-ranging measures to support residents during the often long and disruptive process of market renewal which was one of the more successful elements of the programme.
- *The programme needs to gain the confidence of the private sector:* Although public sector resources were essential to the development of the HMR programme it was essential that the large scale involvement of developers and investors should be secured going forward. The scale of decline and the low level of private sector involvement in many of the HMR areas over a sustained period made this a difficult challenge. The programme shows that this could be, and was, achieved but public sector funding was an essential part of this process.
- *The HMR areas were diverse and long term outcomes will differ:* the HMR programme sought from the outset to address a range of differing markets. Market renewal in the inner areas of large Core Cities was bound to pose different

challenges than in declining industrial areas with no major urban focus. In the long term, the HMR areas will develop a differing economic functions requiring differing degrees of support to develop and flourish. This diversity is reflected in the wide variety of approaches to addressing neighbourhood problems outlined in this section of the report.

- *Under occupancy and lack of investment in the existing stock*- the clearance of obsolete dwellings and the new build replacement accounted for just over 5% of the stock in the HMR areas; therefore any successful renewal programme which deals with large swathes of disadvantage will need to stimulate renewal of the existing stock through investment, economic/income growth and redesign. The HMR pathfinders developed innovative approaches to all of these Issues during the last decade.

4 Housing market renewal: lessons for future large scale housing renewal programmes

4.1 The HMR programme was unique in the context of modern English urban policy. It was founded on a rigorous evidence base relating to housing market, economic and social change. In each area there were different drivers of change and a diverse spatial pattern of development which had emerged over the previous century. This diversity meant that each area developed its own distinctive approach to renewal, working at street level with local communities and developers, while seeking to coordinate intelligence and policy alignment and development for housing, planning and economic growth at a City Region level. In addition to the examples of innovation produced by individual HMR Pathfinders highlighted in the previous section, there are broader lessons, both positive and negative, which have emerged from the programme and which will be of use to practitioners in future large scale renewal schemes. These lessons are summarised below.

Housing and planning

4.2 The origin of market failure and collapse in some neighbourhoods can be traced to a mismatch between the supply of and demand for housing which arose in the 1980s. The spatial restructuring which followed had a damaging impact upon the inner city and was facilitated by statutory planning processes. The integration of housing and planning policies was one of the major building blocks of the HMR programme and aligned with the substantial available public sector investment, this produced a net increase in housing supply in inner city areas covered by the programme, reversing long established trends. The continued integration of housing and planning policy will be essential in future to balancing supply and demand and ensuring that large scale market failure does not recur. Under the Coalition government's reforms to the planning system and to financial incentives to growth, there is a real danger of the displacement of demand across local authority borders, as local authorities compete for population and household growth with the attendant increase in resources from an enhanced tax base.

Housing and the economy

4.3 The integration of employment, training and wealth creation with housing investment were essential components of holistic renewal. This is a long term process which needs to be mainstreamed within public policy at a national and a local level. It is clear from the evidence that housing renewal was critically dependent upon economic growth and development, and future plans for regeneration need to be realistic rather than aspirational when considering the scale of intervention and delivery required.

The Importance of housing markets

4.4 The importance of housing markets as drivers of urban and social change across different economic geographies has been recognised within the statutory planning system as a result of the pioneering analysis produced by the HMR Pathfinders. The public policy framework, whilst undergoing change with the Coalition Government, has continued to recognise this importance with the development of Local Investment Plans for housing between local government, the private sector and the Homes and Communities Agency. It is important that local authorities continue to invest in housing market analysis if they are to make informed and sustainable investment decisions when the economic recovery brings with it increased household mobility and new market trends.

Long term partnerships with local communities and the private sector

4.5 Long term partnerships with local communities and the private sector are essential to be able to negotiate change in a volatile environment. The existence of long term spending programmes to underpin these relationships enabled the HMR Pathfinders to renegotiate approaches to investment as the national economic and housing market environments were subjected to volatile change.

De-risking low value and declining neighbourhoods

4.6 The evidence suggests that the combination of community based master plans, a vision for sustainable change, and with the right mix of public and private sector investment, reduced risks to developers and individual investors to the extent that catalytic and balanced change was possible. This was the first time for decades that this had been possible in many inner city areas.

Preservation of the built environment

4.7 This is an important element of any strategy which seeks to reverse the decline of older neighbourhoods. Clearance and redevelopment proposals need to be proportionate, and despite the perceptions highlighted by national media and pressure groups that the programme was dominated by housing demolition, the emphasis of the HMR programme was on renovation. This paper has illustrated how individual Pathfinders used innovative approaches to the refurbishment of Victorian terraces in order to retain the original character of these areas wherever this was practical.

Balanced housing growth and provision

4.8 Balanced housing growth and provision underpinned local regeneration strategies which sought to engender social cohesion and continued support for change. Examples of this can be seen in the Urban Living programme, where larger homes for BME communities

were provided and in NewHeartlands, where whole streets of residents were moved together from clearance areas to new housing. This balanced approach to housing growth facilitated support for a transformational programme and ensured that the principles of ensuring a balanced age and income profile were achieved within new and refurbished neighbourhoods.

Integration of capital programmes

4.9 Some Pathfinders secured a high degree of success in integrating the capital programmes of various social/public housing agencies, the Regional Development Agencies, Universities and Health Authorities. This integration was achieved through securing a buy-in from the broader public sector to the vision for neighbourhoods and districts in transition, and then following that vision through to joint capital/investment planning. There are lessons to be learnt from the programme for the public sector as a whole as it attempts to develop pooled budgets and joint approaches to commissioning as a response to the current fiscal crisis.

Evidenced based policy and accountability

4.10 It was a requirement of the HMR programme that plans and programmes were based on a sound and accessible evidence base. This transparency allowed both proponents of the programme and opponents of HMR to use the data in locally contested debates, for example at public inquiries. Perhaps more importantly however, evidence based policy gave residents, local politicians and policy makers confidence that there was a degree of rigour associated with investment decisions. There is a danger that in a time of austerity that evidence and research and analysis is down-graded or even removed from the policy making arena, with implications for the quality of decision making and for accountability.

Early wins

4.11 One of the unsung successes of the HMR programme was the availability of £25 million announced at the outset for 'early win' investments. This served two important functions. It enabled the Pathfinders to spend some time (and money) on early analysis, strategic planning and consultation, and it enabled them to invest in some projects which were already on the drawing board, recognising that partners had already begun to address market failure in many areas. These resources provided evidence to communities and private sector or other partners that the Pathfinders meant business. Too often in regeneration there is an well-publicised government announcement and then, as far as the local population is concerned, nothing happens for a very long time.

Central/local government relationships

4.12 The HMR programme involved a different kind of relationship between central and local government than many previous regeneration programmes. The role of central government was to set the broad policy framework for the programme, leaving it to local partnerships to define their priorities and work programmes. This is another of the successes of the programme. Without this 'hands-off' approach, many of the most innovative elements of the programme might not have taken place. Moreover this approach ties in with the need for strong local leadership which is one of the major determinants of successful regeneration.

Cross boundary working

4.13 The pathfinder programme was unique in regeneration terms, looking across local authority boundaries in defining its strategic priorities. Housing markets are no respecters of administrative boundaries and the programme recognised this from the start. Many benefits emerged from close joint working, including the integration of planning policies referred to elsewhere in this report, the capacity to tailor interventions to realistic market areas (for example integrated policies for Manchester City Centre which involved action in both Manchester and Salford), and the transference and spread of regeneration and other skills between authorities. There is a real danger that these partnership and joint working gains will be lost with the demise of the programme.

National evaluation

4.14 The national evaluation for the HMR programme was curtailed in 2009, and was not commissioned until 2005. This lack of priority for the national evaluation meant that a consistent analysis and narrative for the programme as a whole was not forthcoming for Select Committee Inquiries and the National Audit Office. This can be contrasted with the evaluation of the New Deal for Communities Programme, for example, which was established at the start of the programme and systematically updated and analysed thematically and holistically at fixed points in time as the programme developed.

National financial planning

4.15 The proposed 15 year duration of the HMR programme was unusual but not unique. The Urban Development Corporations, for example, lasted up to 20 years, some of the Housing Action Trusts operated for 15 years (to accommodate decanting and rebuilding), and the New Deal for Communities had a ten year commitment. These initiatives had indicative lifetime financial allocations agreed by the sponsoring Government Department which although subject to 3 year review, allowed for long term financial planning and the sequencing of interventions with a degree of certainty. A financial envelope was not agreed for any of the HMR partnerships and long term restructuring interventions were undertaken

with resources being allocated in a non transparent way every two or three years. This situation created uncertainty for residents, developers and local authorities and the failure to provide a financial envelope for each partnership was a negative departure from previous practice.

Investing in capacity

4.16 A review of regeneration both in the UK and the United States shows that the success of renewal is often linked to the strength of local capacity to design, deliver, consult and govern large scale complex renewal programmes. For the larger metropolitan authorities with 30 years experience of delivering regeneration programmes, incorporating the HMR approach was challenging but deliverable. For some of the smaller areas with less experience of managing change, the programme was delayed as capacity was developed. With hindsight Government should have identified support packages to develop delivery mechanisms in such areas. In future this issue will become even more acute, as capacity will be lost following the abandonment of regeneration programmes from 2010 onwards.

Policy drift and the diversion of scarce resources

4.17 The housing renewal tasks faced by the HMR Pathfinders were complex and multi faceted. In each area a different combination of neighbourhood, economic and planning issues had to be addressed alongside issues of housing quality and demand. Distractions created by central government policy drift were unwelcome diversions from core activity, as they frequently increased bureaucracy and micro management from central to local government. An example of policy drift was a requirement to focus on the 'Respect' agenda (dealing with anti social behaviour), and later the local areas and multi area agreements between central and local government.

Mainstreaming financial innovation

4.18 As noted in the previous section of this report, many of the Pathfinders developed innovative approaches to funding private sector renewal and bringing empty property back into use. The Coalition Government and Empty Homes Agency have now recognised the importance of these approaches and a £150 million national fund has been set aside to fund good practice in this area of housing policy. Arguably Central Government should have had a process in place to mainstream the good practice developed by Pathfinders and to issue guidance notes to local authorities, illustrating new approaches which appeared to be successful.

Providing continuous support for organic regeneration

4.19 The UK housing stock is, by Western European standards, old and in some of the larger cities the older low value stock occupies places which have been subject to rapid

social, environmental and employment change over the last five decades. A consistent criticism of the HMR programme from some sections of the press, academics and residents is that large scale redevelopment of the most troubled neighbourhoods was disruptive and that a more organic approach to change should have been adopted. A continuous organic approach to renewal and replacement known as 'Gradual Renewal' was envisaged by the 1974 Housing Act, but in practice this policy goal was abandoned following the public expenditure crisis of 1976 and the large scale spending reductions which followed. This neglect of organic change led three decades later to a widespread crisis in some older neighbourhoods in the North and Midlands which required larger interventions to facilitate change. The abandonment of the HMR programme and all central Government finance for urban renewal is unlikely to facilitate organic renewal, and a failure to learn the lesson will result in a need for much larger and disruptive interventions at some point in the future.

Conclusion

4.20 In some respects the HMR programme was a forerunner for the current policy and political focus on localism, transparency, integrated capital/public sector programmes, and the linking of public sector capital investment explicitly with economic growth. It was at the forefront of the development of housing renewal. However its implementation was not without difficulties. Both the successes and the difficulties provide valuable lessons for future policy makers. It is important that Government attempts to learn the transferable lessons from the HMR programme before the collective experience is dissipated and eventually lost.

5 Conclusions

5.1 This section of the report draws out the headline achievements of the HMR programme and the areas where the initiative was unable to alter trends significantly, or where new issues emerged which were unforeseen at the time the programme was established.

Programme impacts

5.2 Up to March 2011 the HMR projects refurbished more than 108,000 existing homes, attracted private investment to complete over 15,000 new homes on sites directly funded by the programme, with a further 17,000 additional dwellings completed in the intervention areas. Additionally sites were provided for future development through acquisition and clearance of up to 30,000 properties. This public and private investment created 19,000 jobs in construction and related industries (Audit Commission, 2011). Their activities *reversed* the fall in the number of household spaces in the HMR areas between 1991 and 2001, despite the adverse impact of the credit crunch and economic recession after 2007. The aggregate level of new build investment in the HMR areas since 2002 was more than £4 billion. Around 15-20% of dwellings in the intervention areas were targeted by the programme for refurbishment, clearance or rebuilding directly before the premature end of HMR, and more than half of this portfolio of property was subject to renovation activity.

5.3 As most HMR intervention programmes focused on vulnerable and declining neighbourhoods and derelict and underused land, action in these areas has had a much greater proportionate impact in stabilising markets, reducing vacancies, creating a more diverse and higher quality housing stock, and securing improvements to the environment and services within the very large intervention areas.

5.4 However, in many areas where regeneration was not completed before programme closure, more public investment is needed before private investment will return on a long term and sustainable basis. There is a real danger that nine years of investment will be undermined by the premature closure of the programme.

Emphasis of the programme

5.5 Public sector intervention was significantly more focused on refurbishment and new build than demolition. The interventions funded by public sector investment and supported by strategic planning produced the first net growth in dwellings in many inner city areas in a generation.

5.6 Housing demolition carried out within the HMR programme assisted in the restructuring of both the social rented sector and the private sector, and the majority of demolitions in HMR areas during the life of the programme were of obsolete social rented sector stock. The proportion of private sector dwellings demolished was small and

strategically targeted to remove obsolete dwellings, structurally unsound dwellings, and dwellings which were expensive or uneconomic to repair.

5.7 The programme assisted in delivering a fall in vacancies in most HMR areas overall, although the growth in investment purchases, and from 2007 the recession in the housing market would, other things being equal, have led to an increase in vacancies. However this report has shown that significant problems with vacancies will remain in some neighbourhoods.

5.8 The HMR programme represented one of the largest public sector investments in the regeneration of private housing ever attempted in the United Kingdom, but at no point was the public sector able to fully control market forces, particularly the inflow of capital from investors in areas of low cost housing and the sharp rise in house prices paralleling that in the wider market. However the measures taken to refurbish the existing stock, to assemble sites for new housing, to fund new housing and to attract private developers are evidence that the programme was beginning to reshape the housing market offer to residents and incomers in the intervention areas, although to a differing degree from place to place. This is evident when looking at small area data for new build, tenure change and household/population change.

5.9 The speculative boom in house prices from 2002-2005 made financial management extremely difficult and resulted in the programme becoming progressively more expensive in unit cost terms, especially in relation to acquisitions and clearance. To compound difficulties, the reverse process and the collapse of house prices and market activity after 2007 generated different types of uncertainty as private sector new build became increasingly dependent on public subsidy.

5.10 The goal in many HMR areas of increasing owner occupation relative to social rented housing was increasingly overwhelmed by structural changes in the housing market nationally and locally. The rate of owner occupation nationally has been in decline since the middle of the decade, with a corresponding increase in private renting. If it had not been for a substantial reduction in the social rented sector through the demolition of obsolete housing, the decline in the proportion of owner occupied dwellings would have been much more substantial. The impact of the recession, which has increased the number of involuntary landlords, and the growth in the demand for social rented housing, are likely to increase this process further.

5.11 The market-generated increase in house prices in HMR areas from 2002-2005 may well have had the effect at the very outset of the programme of accelerating the outward movement of aspirational and economically successful households, as it enabled many previously trapped by negative equity to sell. Such households were often replaced by investors and many properties remained vacant or were let to transitional households.

5.12 The resources available to the HMR programme were not sufficient to engineer the wide-ranging changes to the housing offer and to the environment and services which were needed to prevent the continued outflow of households in the 25-45 year age group - those most likely to have families.

5.13 As a result of the increased prices and the development of now-discredited practices by banks, building societies and others such as lending on unverified incomes or to households with impaired credit histories, many of the HMR areas have high numbers of first time buyers who are vulnerable to negative equity (because they borrowed a very high proportion of the value of their house at the point of purchase) or to any future increase in interest rates. It is also likely that there are high proportions of households facing potential eviction as a result of mortgage arrears.

5.14 Levels of deprivation and worklessness have remained amongst the highest in England throughout the duration of the programme, except in neighbourhoods where demolition has effected a complete transformation. Worklessness is now rising across the HMR areas.

5.15 The problem of long term vacancies has shifted decisively to being a significant private rather than social rented sector issue. This points to a weakening of some parts of this sector during the implementation of the programme and will produce new challenges over the next decade.

Future issues

5.16 The origins of the problems which the HMR programme was designed to address are to be found in social and economic changes which emerged during the 1970s and 1980s. There was a shift in the structure of demand towards owner occupation and new build supply responded to this by producing new dwellings at a scale which we did not see during the boom of the last decade. The growth in supply was not matched by increases in aggregate demand and household growth was very limited in many of the ex-industrial cities of the North and Midlands. Persistent population loss, industrial closures and poor quality social housing all undermined the ability of inner city neighbourhoods to compete with suburban and peripheral Greenfield areas, and by the 1990s many neighbourhoods of previously refurbished terraced housing were showing signs of distress.

5.17 While these changes were market driven, there were also clear signs of failure in public policy. Most local authorities and government had little idea of how changing markets were driving some neighbourhoods to destruction. Demolition during the 1981-2001 period was reactive and redevelopment was frequently not driven strategically or informed by evidence. Perhaps of most relevance was the failure of strategic planning. Peripheral development helped to further decentralise big cities and increased polarisation

and was occurring *within* the local authorities which were most severely affected by neighbourhood collapse.

5.18 One of the successes of the HMR programme was to reverse the decentralisation of new build and to refocus renovation activity and new dwellings in the inner urban areas. The refocus on the inner city reduced the take of green field land. It also succeeded in reversing the reduction in dwellings in inner city areas and facilitated an increase in net housing supply there. In some areas like Liverpool and inner East Manchester this will be the first time such an outcome has been achieved for half a century.

5.19 The growth in the new build market in the 1980s and 1990s occurred across cities in the north, despite the fact that most of these places had not recovered from the deindustrialisation of the 1970s and 1980s. A new economic geography has however emerged during the first decade of this century, and with this new geography, local economic development has re-established its primacy in driving local housing markets. The Core Cities generally enjoyed positive private sector employment growth over the period 1995-2008 and, where this happened, house prices increased faster and new build was more vibrant. In other areas, typically medium sized ex industrial cities such as Hull and Stoke, or peripheral areas like East Lancashire, the private sector employment market actually contracted during a period of unprecedented growth elsewhere.

5.20 Irrespective of local economic performance, serious market failure persists in most of the areas that experienced the most severe neighbourhood collapse during the 1990s. These neighbourhoods cannot be revived without continuing supply side reform which is pump-primed by the public sector. This is evidenced by the persistent and high vacancy rates which are still found in areas such as Liverpool, Hull, Manchester and Burnley.

5.21 The evidence also suggests that a new urban policy issue is emerging resulting from increases in demand which are not related to the growth of the local economy. In Birmingham, for example, during the last decade there has been a significant increase in demand from locally generated demographic growth and from international migration. This happened despite total private sector employment in the city declining by more than 6%. This is a reversal of previous trends where population and household growth have been more than offset by outward migration when the economy was in decline. Having said this, it is also true that the largest increases in demand from these sources have been experienced in the locations where employment growth has been most substantial.

5.22 Despite the evidence that those areas which have experienced more robust economic growth have generated better housing market outcomes such as repopulation, falling vacancies and more robust asset values, all of the HMR areas remain vulnerable when viewed in the national context. The areas have incomplete regeneration programmes, pockets of very high vacancies, high levels of worklessness, and a large number of first time buyers who have taken out high loan to value ratio mortgages. Added to this, the local

economies have a high vulnerability to public expenditure reductions and in some cases the private sector is too weak to compensate for this in the medium term. Economic recovery may take many years to arrive, if it ever does, in areas which will be dealt a severe blow by impending public expenditure reductions. With the ending of the HMR programme in these areas, it is hard to see how the progress evident over the last eight years can be maintained.

5.23 Government policy for housing and regeneration has changed, and the expenditure reductions announced since 2010 will lead to a reprioritisation for investment. The evidence contained in this paper would suggest that there are significant differences in the need for investment in market restructuring between the 31 parent local authorities. The need for investment relates to the extent of the market failure which is being experienced. There is a strong argument for much closer alignment of economic development and housing investment in areas such as East Lancashire, Oldham/Rochdale, Hull and North Staffordshire. The comparatively low new build rates in these places are indicative of housing demand being constrained by low incomes and falling private sector employment. It is difficult to see in the medium term how much further a restructuring strategy can go in these areas without increases in incomes to support it. Failure to increase incomes will mean that, in future, demolition will need to be accompanied by an increase in social house building.

5.24 A further point relates to private sector investment and its relationship to publicly funded renewal programmes. Over £4bn of private sector investment in new build has occurred in the HMR areas since 2002. This investment, and similar amounts of public sector investment, are now at risk. A risk assessment needs to take account of the different rates of progress and the different challenges which now face the Housing Market Renewal Areas. For example: the Newcastle Gateshead area appears to have removed its surplus of obsolete dwellings after two decades of intervention. However it faces a significant challenge to develop the sites which it has now assembled. Elsewhere, areas with large and growing BME populations will have actually experienced a *reduced* net supply of housing if housing investment is curtailed at this time. Pockets of abandonment still persist in areas like Sandwell and Oldham, and, while not on the same scale as elsewhere, these are still significant issues for the locality and residents. Finally there are clearly still areas where the failure of existing neighbourhoods at scale is still evident

5.25 The evidence clearly shows that a failure of strategic planning contributed to the decline of inner city neighbourhoods. The planning system is currently subject to major reform which will decentralise decision making below sub-regional and housing market area level. The lessons learned from the major mistakes and weaknesses of planning policy during the 1980s and 1990s need to be considered carefully to ensure that outcomes which increase social and public sector costs do not emerge from a dilution of strategic planning and sub regional cooperation.

5.26 In the short term, there is a considerable risk that the worst neighbourhoods in the HMR areas will enter a renewed spiral of decline, with associated population loss, increased dereliction and an outflow of private investment. Finding an appropriate solution given the funding restraints will be exceptionally difficult and any new solution is likely to have to be more market-focused and led by the private sector. This reliance on market forces will in itself be problematic. The market does not remedy housing market failure - even in a healthy market it requires public sector intervention and subsidy to ensure equitable outcomes achieved within an acceptable timescale.

5.27 The focus of the HMR programme was on securing large scale capital investment to reconfigure housing supply. This approach took as given the level of welfare support which was supporting demand for accommodation in the social and private rented sector. The reforms to Housing Benefit and Welfare over the 2011-2013 period undermine this assumption. The reforms will expose housing markets which are dependent upon public subsidy to provide support to low income households in meeting their rents in both the social rented and private sectors.

5.28 One example of these changes is the proposal to reduce Housing Benefit by an average of £11 per week for tenants who have access to a spare bedroom. It is the responsibility of the claimant to either find this money or to move to a smaller property. DWP acknowledge that there is insufficient small property in the social sector to move displaced households too, and explicitly expect them to transfer to the private rented sector. It is estimated by government that more than 700,000 households will be affected by this reform alone. This and other welfare reforms will reshape the housing market for low income groups even more actively than the market changes of the last twenty years. It is not unrealistic to expect the low value end of the private rented sector to respond to this by intensifying the use of properties.

5.29 Welfare reforms thus pose huge challenges to social landlords and local authorities. Local authorities will need to find revenue to strengthen their environmental health and housing regulation functions. They will also need to anticipate new neighbourhood issues as the older housing stock will become on the one hand increasing sub-divided in higher rent areas, while on the other vacancies will rise elsewhere. For Registered Social Landlords, there are potential issues of rising vacancies as residents are forced to move, but also a growing number of people who cannot be housed from waiting lists as the Housing Benefit system will no longer pay for the space which is available in three bedroom houses.

5.30 Hence there are many issues for neighbourhood management, housing strategy and RSLs, in HMR areas. But there are also significant issues for planners which arise from these changes. First, the introduction of the New Homes Bonus, the presumption in favour of sustainable development, and the new ability for developers to challenge plans based upon market change, may work collectively to undermine the strategic cooperation between local authorities to guide housing market development which has developed over the last two

decades. This strategic cooperation was absent during the 1980s when jobs and households decentralised from the inner cities and older industrial areas in such large numbers.

5.31 To conclude, the problems which the HMR programme sought to address originated during a phase of market-led development in the 1980s. The programme was implemented in a booming but changing market where it was possible to work with significant public subsidy and value to reshape the housing offer. The new decade has witnessed a radical change in environment, with the economy entering a period of depression and recession not seen since the 1930s. The market as an independent force for change is moribund. Nationally, public expenditure to support housing renewal has been almost entirely eliminated for the first time in sixty years, with little prospect of reinstatement in the medium to long term. Conversely the radical reform of housing benefits and welfare, combined with severe public expenditure reductions, is likely to engineer a very different form of housing market restructuring. The public sector response to this must be intelligent, forward looking and managerial. In respect of the local communities where the HMR programme operated, the debate for local public sector agencies, at least temporarily, will move from how they can *regenerate* areas to how they can *rescue* them.

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