The Housing Market Renewal Programme in Perspective: *Maintaining momentum through difficult times*

A Report to the Chairs and Directors of HMR Partnerships

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Summary

Housing Market Renewal (HMR) is an ambitious programme that has sought to achieve a better balance between housing demand and supply, though a diverse set of interventions, in twelve sub-regional areas of market fragility in the North and Midlands. Given the recent volatility of the housing market nationally, and indeed internationally, it is critical that the impact of the HMR programme should be carefully assessed. Any positive lessons that have emerged from the initiative should be incorporated into policy thinking about the future scale, shape and structure of other regeneration and housing programmes, especially those pitched at the sub-regional level.

HMR has been a flexible and wide-ranging programme, which has begun to meet many of its original objectives, and has built up the trust of both the partners involved and the communities affected by the programme. Appraisals of its impact have been increasingly positive and it has been recently used by the Audit Commission as a source of good practice, praising the HMR Pathfinders for their 'balanced' approach to demolition and redevelopment as an option for neighbourhood renewal.

HMR Partnerships have been at the forefront of attempts to chart the impact of the recent market downturn and have fashioned a range of responses: promoting a sub-regional analysis and strategy; working closely with developers to examine ways of supporting their contribution; rephrasing and reprofiling schemes; taking demand-side and supply-side measures to keep the market moving; engaging with partners and communities to explore options to build stability and confidence; and adopting an asset-based approach to ensure the longer term viability of investment.

The skills in the HMR teams range over financial, strategic planning, market appraisal, negotiation, project management, partnership building, communications, community liaison and development. The spread of expertise within teams, and the design and focus of the programme, has ensured that Partnerships have had a firm grasp of market fundamentals and commercial pressures, which has been a priceless asset in confronting, and devising responses to, the credit crunch.

The awareness of commercial pressures and exposure to risk, the improved understanding of the dynamics of housing market change, the commitment to community engagement and innovations such as new products to close the value gap for households in the midst of redevelopment - all these elements are potentially applicable to other types of sub-regional partnership concerned with economic development, community renewal and social investment.

HMR is therefore a paradigm for 'intelligent' investment, with tailored programmes attuned to shifting market circumstances rather than simply ploughing on regardless of context. HMR has helped to make tangible the holistic and integrated approach to delivery that is often advocated but rarely realised in practice. The design of HMR offers much as a template for future investment; in keeping some momentum in the market during the current crisis, but also in reaping benefits from an upswing in market fortunes when the credit crunch finally ceases to bite.

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1. Introduction

This report has been written to assess the impact of the Housing Market Renewal (HMR) programme, initially launched by government in 2003, and to consider how it might respond to some of the testing challenges facing housing markets in England in the years ahead. The purpose of this paper is to summarise what has been achieved so far, to outline the basic principles behind the HMR approach, to identify some of the lessons learned, to suggest how these might be carried through more widely in future programmes of housing and neighbourhood investment, and to offer an assessment of what still needs to be done. This report follows on from a special seminar held for Chairs and Directors of HMR in Manchester in July 2008, looking back over past achievements and looking forward to new challenges. The author of this report is an independent academic with a long-standing interest in housing market renewal, who has been engaged as special adviser to two select committee enquiries into empty homes and market renewal in 2002 and 2005, and who has been a leading member of the consortium that has undertaken the national evaluation of the HMR programme for Communities and Local Government.

Since the introduction of the HMR programme, Partnerships[1] have developed a wide range of interventions to deal with some of the dislocations between supply and demand arising from housing market processes at the local and sub-regional level. Given the central importance of the operation of the housing market, as shown only too vividly in the volatile circumstances of recent months, it is critical that the impact of the HMR programme is assessed and that any positive lessons from the experiences of the Partnerships are incorporated into future policy thinking, and future programmes, especially at sub-regional level.

This report concentrates on the rationale for the programme overall, its record of delivery and current and future challenges, rather than giving a detailed account of schemes or describing the scale and direction of housing market change in each HMR area. (The web-based guide by the Audit Commission (2008) provides a host of examples of good practice by individual HMR Pathfinders, while the report of the National Evaluation team, shortly to be published by Communities and Local Government, will explore in some depth changes in market performance and in the governance and operational capability of the Pathfinders). This report also reflects on the scope and challenges facing any sub-regional interventions designed to achieve sustainable neighbourhood change, not least in the wake of the sub-national review (CLG/BERR, 2008), and the creation of the Homes and Communities Agency.

If the HMR programme has registered in the public consciousness, it is probably as a result of a few widely publicised and controversial demolition schemes, sustained by critical comments, often from organisations concerned with 'heritage' (for example, SAVE, 2006). Yet to equate HMR with demolition is extremely misleading, and provides a one-dimensional and inaccurate depiction of a complex, wide-ranging and diverse programme. Between 2002 and 2008 some 40,000 homes have been refurbished, compared to fewer than 10,000 that have been demolished. Prior to the recent downturn, it was estimated that new development would rise to around 10,000 new homes per year, or 1.5 per cent of the total stock in Pathfinder areas, by 2009/10 (Housing Market Renewal Pathfinders, 2007). It has been estimated that direct private sector investment stimulated by the Pathfinders increased by over 40 per cent between 2006/7 and 2007/8, amounting to £410 million by 07/08 (ibid). On a less visible level, Pathfinders have also been working with partners on activities such as developing infrastructure, improving site assembly, renewing local amenities, stimulating economic development, strengthening community cohesion, tackling anti-social behaviour and initiating employment and training programmes. This is a much more balanced and diverse palette of measures than is often thought.

In the next section, the record of HMR Partnerships in delivering on an ambitious set of objectives is considered. In section 3, some of the core principles that have guided the HMR programme are discussed, as they may contain useful lessons for the development of other strategic investment programmes. Section 4 looks to the future, in terms of how HMR might evolve and continue to contribute to sub-regional programmes designed to promote growth and renewal in a coherent and effective way.

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2. Delivering on Promises and Meeting New Challenges

HMR has been a flexible and adaptive programme on the ground, but it has been underpinned by a consistent philosophy in terms of its rationale for intervention in housing markets where the dynamics of supply and demand are out of kilter. It has been a high profile, innovative and ambitious initiative, that ranges from the broad sweep of strategic engagement at sub-regional level, to working with a wide range of delivery partners, to implementing neighbourhood programmes of massive significance to households and communities the length and breadth of HMR areas. Given its importance, the programme has understandably been subject to close scrutiny and appraisal - from Communities and Local Government (CLG), two Parliamentary Select Committees, the Audit Commission, the National Audit Office (NAO), and the Public Accounts Committee (PAC), as well as the independent research undertaken by the national evaluation team. How has it fared under the glare of these various spotlights?

It is vital for all regeneration schemes to meet their objectives by agreed deadlines - but it is especially important for a programme such as HMR to meet its promised commitments: any delays over redevelopment , for example, will cause distress to any households already concerned about having to move home, and will risk blighting the neighbourhoods concerned still further. At times, the HMR Partnerships have had to undertake their programmes with only limited guarantees about the future longevity and scale of government funding support. Despite these constraints, Pathfinders have generally achieved their output targets, maintained their planned levels of activity and built up the trust and confidence of the communities as the programme has matured. Furthermore, the various appraisals of HMR have given the programme increasingly positive assessments, as schemes have progressed, plans have been implemented, governance arrangements have settled down and methods of community consultation have improved.

2.1. Programme Scrutiny, Appraisal and Evaluation

2.1.1 Select Committee reports

As stated earlier, HMR has been subject to various forms of appraisal, scrutiny and inspection, and this brief review is confined to a few programme-wide assessments undertaken within the past three years. The Housing Planning, Local Government and the Regions Select Committee report *Empty Homes and Low-Demand Pathfinders* (2005) followed up its earlier inquiry into empty homes in 2002. It made recommendations on the provision of more central guidance to the Pathfinders, the need for a clear focus on community involvement, especially during relocation, and policy alignment and development, involving sub-regional appraisals and long term funding support. Following the publication its report, CLG took a more ‘hands on’ approach to the programme, requiring Pathfinders to report against an increasing number of indicators covering inputs, outputs and outcomes. This showed that, between 2002 and 2006 low demand for properties in HMR areas fell by 42 per cent, compared with 44 per cent in England as a whole. Given that demand in most Pathfinder areas was spiralling downwards at a rapid rate when the programme was established, this represented a major turn round in the fortunes of these neighbourhoods.

2.1.2 Audit Commission

From the outset, the Audit Commission has played a distinctive role in the HMR Pathfinder programme as a 'critical friend' - both undertaking appraisals of their performance and forward programmes (an 'independent watchdog' role) and acting to support innovation and encourage the wider dissemination of good practice (a 'driving force for improvement' role). In addition to the individual Pathfinder strategic reviews and appraisals, the Commission published what amounted to a stock take of the overall HMR programme in November 2006 (Audit Commission, 2006). It identified many areas of good progress and concluded that:

> *Pathfinders now have a clear understanding of what drives their housing markets, including a very strong relationship with the economic circumstances and projections for their areas. They have begun to refine their vision of the future of the places they are working in and have clarified how to deliver those futures...most are able to demonstrate considerable support for their future plans and are working increasingly closely with communities. Governance arrangements of the new bodies are improving...Detailed consultation and masterplanning is ongoing and a balanced approach is being taken which sees clearance as but one policy option in a number of approaches*'. (Audit Commission, 2006 paras 3-5)

The Audit Commission report did identify areas for further development, such as deepening the understanding of local markets and developing value for money appraisals, but the overall emphasis was extremely positive, with a recognition also of the potential 'demonstration effect' Pathfinders might begin to exert in some key policy areas, noting *' improved strategic alignment of policies at a sub-regional level and more thoughtful community engagement emerging as areas where others could learn from pathfinder experiences.'* (para 7)

2.1.3 National Audit Office/Public Accounts Committee

The National Audit Office undertook its own review of the HMR programme in 2007 (NAO, 2007). Much of the ensuing report focused on the role of central government in terms of providing greater clarity about the funding and governance of the programme. NAO considered that it was still too early to judge the overall impact of the programme, it noted that Pathfinders had helped to provide 'capacity and focus' (para 5) to understanding housing markets, while working with local authorities and sending messages about the need for a co-ordinated approach to new development at sub-regional level. The NAO found that on the whole the housing markets in local authorities chosen for pathfinder intervention were performing slightly better than those in local authorities without pathfinders.

In its follow-on report the Public Accounts Committee (PAC, 2008) argued the case for continued funding of the HMR programme so that redevelopment could continue on cleared sites. It acknowledged the problem of attribution - how far housing market 'improvements' were due specifically to pathfinder interventions rather than broader economic factors - but reinforced the need for holistic intervention in areas of housing market weakness.

> '*Sustained regeneration will require improvements in other areas which go beyond the regeneration of the physical infrastructure, such as local economic performance, employment opportunities, community safety and access to high quality public amenities and transport*. '(PAC, 2008, p1)

The PAC did note growing problems of affordability for existing home owners in areas where values are increasing and it referred to the need for bridging funds to meet the gap between compensation owners receive under CPO procedures and the cost of purchasing another property. In fact Pathfinders have been at the forefront of attempts to do just that (Cole and Flint, 2006) though few would argue against the need to introduce more robust measures here.

The recent record from this series of independent assessments is, therefore, positive overall about the progress that HMR Pathfinders have made. But this report is more concerned with looking ahead than looking back - how HMR Partnerships can respond to the current turbulence in the housing market. It would be something of an understatement to describe the last few months as 'difficult times' for housing markets, and it is therefore instructive to see how HMR Partnerships have fared so far in response to the various problems arising from the market downturn.

2.2. The Litmus Test?: The 'credit crunch' and HMR

One of the proclaimed strengths of the HMR programme has been its close reading of housing market change - but, until recently, Partnerships have been operating in relatively 'steady state' conditions (even if it may not have seemed like that at the time). HMR Partnerships did not anticipate the scale, depth and speed of the 'credit crunch' downturn, any more than most commentators and institutional investors. However, the rapidity of the response by Partnerships has shown that their 'market intelligence' is not just an abstract quality: it is a tangible asset in helping them work with the grain of rapid changes in effective demand. The credit crunch has put to the test in the starkest terms the ability of Partnerships to respond constructively to the challenge of working in housing markets on the brink of freefall.

While some sustained fall in property values from their previous peak may represent a 'normal' process of market readjustment in the longer term, the short term consequences are a tightening of credit, a collapse in new development activity, abandonment of ongoing projects, the risk of increased repossessions, and a potential decimation of the buy-to-let sector, culminating in a rapid downward spiral of values.

2.2.1 New Pressures due to the Credit Crunch

In recent months, most HMR Partnerships have produced analysis and reports that have examined the local impact of the downturn on the basis of an assessment of market trends, discussions with developers, housing association officers and estate agents, and workshop sessions with key players. What kind of impact has the credit crunch had so far? The consequences include:

The response of private developers and lenders

- private developers are cutting back on schemes considered to be higher risk, which are likely to be concentrated in the lower value, more fragile localities where HMR is based; they are becoming selective about the sites where they will remain active and those where they are suspending activity

- developers are playing safe in their forward programmes in terms of scheme design, property size and types, and holding back on the 'first time buyer' sector
- reductions in loans to 'marginal' home owners and the increased risk of repossessions, especially as fixed term loans come to an end, can have a disproportionate effect in HMR areas.

The social housing and intermediate sectors

- housing associations are starting to move in to acquire unsold private sector dwellings for resale or conversion to renting or the intermediate market, but there are concerns about maintaining quality standards and associations preserving their credit rating in the process
- there is a sharp decline in demand for shared ownership properties, accentuating the generally slower take-up of these products already in many districts in the north of England
- difficulties have emerged in continuing to keep to plans and timescales in delivering integrated, mixed tenure social/private housing developments integral to most HMR programmes
- a reduction in capital receipts for local authorities, as a result of the sharp downturn in property and land sales, has had an immediate and dramatic impact on future capital programmes
- increased problems are arising for many local authorities to achieve the anticipated level of matched private sector funding for future investment programmes.

The private housing sector

- some owners are now reported to be reluctant to reach voluntary sales agreements in Compulsory Purchase Order (CPO) programmes if they are not allowed by their lender to transfer their mortgage on the same basis (e.g. at the same fixed rate)
- due to the increased number of properties on offer, potential purchasers are becoming more reluctant to consider areas in the process of transformation, or earmarked for future investment, as they rely on more established locations in the private housing market
- while there may be some upward pressure in the 'traditional' private rented sector from thwarted (or repossessed) home owners, there are signs of a dramatic collapse in demand for buy-to-let apartments, with rent levels now failing to cover mortgage costs in many cases. Even where there are few such apartments within HMR areas, the 'ripple effects' of this rapid change for adjacent markets are difficult to anticipate and may have an impact.

Impact on central government priorities

- given the policy priority to achieve future housing output targets, there is likely to be pressure on government expenditure to maintain levels of investment in new build programmes, which may start to deflect resources from regeneration activity.

2.2.2 Rethinking, Responding and Taking Action

HMR Partnerships are having to strike a balance between keeping markets moving in the short term (and predicting the length of the 'short term' is in itself not easy...) while ensuring they do not simply prop up new schemes that represent poor value for money due to the premium attached by developers to the risks involved. Public intervention, through HMR as through other measures, needs to be 'supporting' the market, but not 'leading' the market, creating an artificial dynamic. Responses by HMR Partnerships have so far included:

Taking sub-regional action

- monitoring developer and lender activity closely and assessing the impact on sub-regional and local market trends on a quarterly basis
- holding discussions with lenders to identify which areas are suffering most in terms of loans to potential purchasers, to assess the geographical contours of the downturn
- redoubling efforts to ensure alignment between HMR interventions and proposals elsewhere in the sub-region over land supply, new development and public infrastructural investment to avoid further 'hollowing out' of those communities in HMR areas
- acting as a channel for bids from the government's affordable housing programme
- broadening the scope of the HMR Partnerships' role in economic development and economic regeneration to a sub-regional basis
- taking further the 'place making' elements of HMR programmes, to make attributes of place more attractive in view of the likelihood that developers will take a more cautious approach in seeking sites and households will be even more 'location conscious' when seeking to buy in the next stage of the market cycle (which one might describe as 'hesitant recovery').

Rethinking schemes

- maintaining progress on existing schemes to avoid empty properties and neighbourhood blight - if necessary through support for developers' cash flow, part exchange initiatives, larger equity loans or mortgage guarantees, balanced against a concern to ensure value for money and that prices will not be artificially inflated as a result
- mothballing sites to maintain activity on other schemes, although this risks increasing environmental maintenance costs while the programme is suspended
- providing the affordable housing element at the start of mixed schemes to improve cash flows and stimulate wider market activity.

Working with developers

- negotiating with developers to underwrite more of their risks – given the closer links that have emerged recently between Partnerships, local authorities and developers, this dialogue can take place against a more positive backdrop than in many other areas. Just as arrangements have been struck in many schemes in the past on distributing 'overage' between the developer and the local authority, discussions are now taking place in some areas on sharing the costs of ‘underage’ – if realised values are *less* than those expected when the development agreement was signed

- working with developers to improve marketability through design and lay-out changes and emphasising some of the maintenance (and hence cost) advantages for owners of new, as opposed to older, properties
- planning with developers so that they can undertake design and remediation and infrastructure work in anticipation that the crisis will have eased significantly in a year’s time
- reviewing planning obligations imposed on developers, as they struggle to maintain activity in the light of increased cost of materials and labour and the need to meet regulatory requirements (e.g. on carbon targets).

Making supply adjustments

- working with partners to target the acquisition of empty (repossessed) stock, in conjunction with a rent-to-purchase model or through resale
- shifting the focus of investment for a limited period away from new build towards refurbishment and environmental improvements, to ensure a more single-minded focus on new build when the market conditions start to improve - especially if Partnerships can maximise the benefits of moving quickly at the start of any upswing.

Helping Marginal Owners

- introducing mortgage rescue schemes
- piloting equity deposit schemes similar to the English Partnerships First Time Buyers initiative, marketed by estate agents and administered by a credible financial organisation.

Involving the Community

- using the experience of community engagement throughout the HMR programme to keep households in touch with local housing market prospects and advise them on their housing options in the more chastened context of the downturn.

Building Assets

- acquiring land where values are significantly lower to place Partnerships and local authorities in a strong position for the eventual upturn - either for direct development or as an asset that could be packaged to make it more attractive for development vehicles in the future
- examining whether the sharp downturn in the ‘apartment’ market provides opportunities for acquisition to help relieve pressures elsewhere (such as the social housing sector or marginal first time buyer market)
- working with constituent local authorities to develop asset-based vehicles (including local housing companies) to maximise the potential of public assets and develop longer term joint ventures, not least in terms of succession strategies for current regeneration programmes.

Networking

- sharing experiences and information across the HMR programme about undertaking successful initiatives, overcoming constraints and stabilising local markets
- acting as an exemplar for other local authorities, housing associations and sub-regional partnerships with less experience of tracking housing markets and adapting forward programmes accordingly.

The key lesson here is that all players in this new and hazardous market will have to be a) flexible and b) fleet footed. HMR Partnerships have already been operating, with partners, across a wide spectrum of strategy, policy and intervention. Their role is not tied to a particular tenure, or a particular stage of the housing process (site acquisition, refurbishment, new build etc), or to working with a particular set of partners. The skills in the HMR teams range over financial, strategic planning, market appraisal, negotiation, project management, partnership building, communications, community liaison and development. The ability to cover a spread of expertise over these activities and have a firm grasp of market fundamentals and commercial pressures is a priceless asset in confronting and devising responses to the credit crunch. Of course, any localised actions in the face of the shifting tectonic plates of international finance can only have a limited impact – but they can nevertheless help mitigate some of the negative consequences of the housing market downturn in significant ways for households who now have only a shaky foothold on what they once felt was a sturdy housing ladder.

3

3 Transferable Lessons: the Guiding Principles of the HMR Programme

The previous section examined some of the assessments of the HMR programme as a whole, and how current pressures are being faced in the wake of the credit crunch. In this section, the underpinning principles of the HMR approach are considered. While the HMR programme was originally developed on the basis of concerns about 'empty homes', as the previous section has shown, they have adopted a more eclectic and wide-ranging brief as links with partners have matured and market circumstances have changed. Three broad dimensions of the role of HMR Partnerships are identified:

- acting as a catalyst for wider change
- strengths in programme design
- strengths in programme delivery.

One objective of this discussion is to consider how these attributes might be transferred to other housing and regeneration agencies and partnerships, especially those operating at the cross-district, sub-regional level, and not just those involved in housing market renewal.

3.1. A Catalyst for Wider Change

Embracing a sub-regional focus for economic and social regeneration

The HMR programme has, from the outset, been 'outward-looking', looking to link with wider agendas and related policy domains, and to explore new sources of housing demand for less popular locations. HMR Partnerships have pressed ahead with translating into practice the four key goals adopted by the new Homes and Communities Agency (growth – renewal – affordability – sustainability) to ensure that a dramatically improved housing offer becomes an important part of achieving the economic development potential of the sub-region in question. Partnerships have also helped to contribute to more consistent regional strategies in planning, housing and economic development and have helped deliver the consolidated, focused and large scale investment that is the prerequisite of transformational change.

Better alignment with other programmes has been achieved within HMR areas by making the identification of complementary funding a condition for the release of HMR funds for specific projects, rather than having an unhypothecated regeneration 'pot'. This strategy could well have purchase in other programmes, to ensure that the benefits of partnership working bring tangible, not just rhetorical, rewards. This funding trigger has perhaps not been as used as fully by central government as one might have expected, given the priority accorded to 'bending' mainstream programmes in many regeneration programmes.

In the past, 'housing' and 'labour market' policies and programmes have tended to co-exist, and policymaking has developed in parallel, rather than as a basis for mutual learning. But there is a record of achievement in the HMR programme to show that the employment dimension has been integral rather than peripheral to many of its interventions. It has ensured that HMR programmes have actively supported local economies and helped to create training and employment opportunities to tackle worklessness.

Making private sector engagement a reality

Initially, HMR Partnerships tended to conceive of links with the private sector in terms of establishing fairly inert structures such as convening forums for developers – but more recently many have developed long term partnering arrangements, involved developers in the masterplanning process and in community engagement as well as delivery on site. Most have now established Framework Agreements with developers to give better long term value. This also helps to foster relationships of trust, which will be crucial in the very uncertain times ahead for developers. The HMR process has brought developers closer to the realities of neighbourhood change and brought Pathfinders closer to the commercial realities of delivering schemes on the ground. The adoption of measures such as landlord accreditation schemes have also helped to produced enhanced levels of service in the private rented sector in some HMR areas. The record of Pathfinders on supplementing public funds with private sector 'leverage' has also improved, as confidence in the future of previously unpopular neighbourhoods has increased, though clearly there may be some difficult times ahead here.

Putting community engagement at the centre of the programme

The acquisition, clearance and development of programmes for neighbourhood regeneration require the effective support of the community over a prolonged period. This aspect became a controversial aspect of the programme for several HMR Partnerships, as difficult decisions had to be taken about the longer term viability of some properties. The sheer length of time taken to communicate, build trust and gain support was often completely underestimated, leading to delays in delivery. There have also been problems in bridging the 'value gap' between existing and newly developed properties, as noted by the NAO. In the majority of cases, initial engagement has now been followed through with programmes to support communities during the inevitably disruptive processes of relocation and resettlement. In some cases, Pathfinders have also become crucial agencies in promoting community cohesion, by opening up neighbourhoods to groups who previously felt excluded and by helping to deal with tensions between new and existing communities that can arise during processes of neighbourhood transformation.

3.2. Strengths of Programme Design

Improving the residential offer

By taking a neighbourhood-based rather than a narrower scheme-centred approach, Pathfinders have managed to attract interest in development in what were formerly considered unattractive locations, through detailed preparatory work with initially reluctant developers. While some of this progress has been affected by the recent downturn, they have shown that it is possible to build trust over time about the prospects for sustainable developments in weaker markets. In the light of the current policy interest in 'place making', Pathfinders have probably gone further than any comparable programme to ensure that attention is given to the importance of environmental improvements and complementary infrastructural investment alongside the nuts and bolts of housing refurbishment and redevelopment.

'Place making' is also an opportunity to consider explicitly how weaker markets can be connected to more prosperous and successful areas, like the more vibrant city centres. The infrastructural requirements needed for regeneration can also be developed to accommodate growth in the future, bringing both environmental and funding benefits that would be denied a 'two track' approach focusing on different areas for renewal and growth. Many plans for local economic growth are premised on assumptions about future in-migration to the sub-region, and the quality of the housing offer must then enter the equation from the outset. The HMR programme has increasingly turned its attention to attracting *potential* communities into key areas, as well as meeting the needs of *existing* communities for better quality neighbourhoods and housing.

Adopting a flexible, responsive approach

Over the past six years, the HMR programme has been able to *adapt* to changing market circumstances and policy priorities rather than being tied to a fixed long-term programme that has to be delivered according to its original plan, regardless of any shifts in the economic or policy climate. From an initial concern with over-supply and empty homes, many Partnerships moved on to address some of the problems caused by new trends in local housing demand – such as a lack of affordability or challenges to social cohesion.

Partnerships have also connected their programmes to the 'growth' agenda in their sub-regions, especially since more ambitious housing output targets were adopted two years ago. As the previous section indicated, they are now at the forefront of attempts to mitigate the negative effects of the 'credit crunch' on developer confidence to complete existing schemes and start on new ones, by attempting to sustain a level of market activity. The recent housing market downturn, however, shows only too graphically how fragile some of the improvements in HMR areas might be, and the need for sustained HMR Partnership activity to withstand the vicissitudes of sharp cyclical changes and periods of market correction.

From the outset, there has never been a fixed nationally determined template on how Partnerships would achieve their objectives – each has fashioned a response in the light of locally determined priorities and reshaped its delivery plan accordingly. The emphasis of the HMR programme has therefore reflected the context in which they have operated: some Partnerships have been concerned with contributing to plans to redevelop core cities and improve and diversify the housing offer; others have remained more concern with fragile housing demand and supporting attempts to re-engineer the economic function in smaller urban areas.

Rather than rely on centrally determined indicators for measuring local performance, individual Partnerships have had more discretion to define their own strategy and devise their own targets. They have taken this opportunity to develop strategy on the basis of evidence to ensure the approach is tailored to local circumstances, and is open to challenge from both local communities and central government. This approach has given HMR Boards and teams more ownership of their strategy and direct responsibility for delivering to it, coupled with independent assessment of the programme from the Audit Commission. The virtues of retaining a strategic review and appraisal function centrally, while devolving micro-management, have often been advocated for programmes like HMR, but this aim is often thwarted in practice. In this case, the original philosophy has survived and enabled the programme to adapt to challenges that simply could not have been foreseen at the inception stage.

Improving Alignment

The risk with the institutional context for 'special' programmes is that it will be grafted on to existing systems and sit uneasily within those established structures and processes – or alternatively, if special arrangements are made, this creates a problem for succession strategies and lessons become lost. Because the constitution of the HMR programme has been swimming with the tide of change in the government's wider thinking about regeneration, however, it is possible to see some of the original governance arrangements being brought into other new structures which have a slightly different remit.

The closer alignment with programmes to promote economic development and accommodate future growth, for example, has witnessed closer links between Pathfinders and City Development Corporations in Hull, East Lancashire and Newcastle/Gateshead, while the Transform Pathfinder Board has overseen the transition to the pilot Housing Multi Area Agreement in Housing now agreed for South Yorkshire. Manchester Salford Partnership (MSP) and a 'second generation' HMR Partnership, Tees Valley Living, are also part of the pilot MAA programme. In a similar vein, the Partners in Action HMR also established the Oldham and Rochdale Economic and Skills Alliance, to broaden the basis of the programme. This institutional adaptability guards against expertise becoming lost, as happens if organisations come and go at a rapid rate.

Operating to market, not administrative, boundaries

From the start HMR covered distinctive housing market areas (albeit with rather fuzzy boundaries in some cases) between the local authorities involved, and this logic has now become an accepted principle in regeneration programmes. It is, for example, a signal feature of the approach advocated in the sub-national review (CLG/BERR, 2008). The HMR programme has recognised that the connections between residential areas and economic change will vary and rarely fall neatly within a single local authority area. This in turn has required new governance structures at sub-regional level to oversee the programme, with the onus on achieving effective political and official liaison between different councils: often in the face of long-standing rivalries and differences. Pathfinder teams have themselves been relatively small and focused, but have taken the lead on strategy development, market intelligence and partnership building and acted as a catalyst for delivery by partners, rather than taking on the responsibility directly. This operational culture, which maximises the value of effective communication and scrutiny and coalition, rather than empire, building, is a model that could be adopted successfully in other domains at the sub-regional level.

Devising a robust and holistic evidence base

From the outset, the HMR programme developed out of growing evidence about housing market weakness in certain areas in the North and Midlands (Nevin et al, 2000) and since then a great deal of information and analysis has been assembled (see, for example, Leather et al, 2007). This has been accompanied by increasingly sophisticated and action-oriented systems for monitoring market change – particularly important in the current turbulent economic climate. HMR Pathfinders have pioneered an approach that extends across all housing tenures, by encompassing factors such as trends in property prices and transactions, and the performance of the private rented sector. The links between economic growth and housing requirements have also been explored more fully and led to scenario mapping exercises as a basis for planned interventions. Reference to this evidence base as a basis for action has also helped HMR programmes from becoming too stymied by competing political priorities, or letting immediate pragmatic considerations override more strategic considerations.

3.3. Strengths in Programme Operation

Developing new and refreshing neglected skills

Many of the tasks facing Pathfinder teams have demanded expertise outside the conventional bank of skills acquired by housing and planning professionals: such as negotiating mixed tenure schemes with developers, having an understanding of commercial imperatives in new development, issuing and following up Compulsory Purchase Orders, promoting community development and managing media relations (Cole et al, 2007). All these skills are likely to be equally vital in any new regeneration challenges to be faced in the future. There has been a collective loss of expertise in the public sector over the years to undertake critical tasks such as devising strategic and sensitive demolition and redevelopment programmes. Staff in HMR teams have therefore had to learn these processes afresh, with an eye to delivering changes affecting distressed, assertive or sceptical residents in the local community. Teams have had to develop a flexible suite of skills in order to deliver their programme, whether taking the lead, drawing on external expertise, or working alongside partners. It will be important to channel and disseminate these skills more widely as the sub-regional approach to regeneration and economic development gathers wider provenance.

Thriving under robust scrutiny

Section 2 described how the HMR programme has been subject to a range of different inspection, regulatory and evaluation regimes. Generally, the balance sheet has been very favourable, especially as Pathfinders have gained in confidence about their ability to deliver complex programmes of change. The Audit Commission's moderated scores for the nine HMR Pathfinders published earlier this year, for example, scored two Pathfinders to be performing 'strongly', six to be performing 'well' and just one to be performing 'adequately'. The position of the Audit Commission as 'critical friend' on the HMR programme has been unusual, but it has been welcomed as a constructive enhancement of their independent scrutiny role. The overall system of inspection into Pathfinder performance – how interventions can contribute to achieving area-based targets – has also informed thinking about Comprehensive Area Assessments, which are currently being piloted across the full range of local services for neighbourhoods.

Innovating with a purpose

There is no intrinsic merit in innovation *per se,* and if a whole range of radically new measures is introduced simultaneously, the main result may simply be misunderstanding and confusion. While several elements of programme design in the HMR process are indeed novel, practice at neighbourhood level has often followed established forms of good practice in masterplanning, stock refurbishment, and community development. One area where Partnerships have been able to innovate is in the development of equity based products to assist relocation during redevelopment programmes (Cole and Flint, 2007). There may well be wider lessons here, not just in weaker housing markets, but in working alongside the HCA in developing, and piloting, other intermediate housing products, to see if traditional consumer resistance to such ideas can be reduced or overcome, especially in light of future pressures on gaining access to 'full' owner-occupation.

Reaping the benefits of continuity

The process of housing market renewal is complex and demands a long-term, fifteen year programme – a commitment deemed essential in view of the deep-rooted and persistent nature of the problems associated with prolonged lack of investment, a narrowing economic base and the cumulative impact of decentralised residential development. Longevity is not a virtue in itself, but serious transformation of local housing markets cannot be achieved overnight, especially given the need to deal with cyclical changes in market performance along the way. While the funding guarantees for the HMR programme have at times been fitful, the underlying approach has been consistent with that advocated in the sub-national review: towards programme-based rather than project-based allocations, backed up by an active performance monitoring and assessment regime. Long term funding helps to provide a stable platform to engage with residents and partners. This in turn reduces risk and promotes a collective confidence that can underpin strategic decision making and promote innovative product and service development. The long term perspective may also be valuable in withstanding pressure to survive market 'crises' and to switch between different activities in the overall programme, thereby maintaining momentum, rather than repeatedly turning the tap on and off.

4

4 The Future: Renewal and revival through intelligent investment

In the past six years, the HMR programme has put into action much of the government's strategic thinking about reviving communities, connecting disadvantaged areas more effectively to points of economic growth, broadening sources of funding for regeneration ,engaging with the private sector, and 'making places' where diverse communities will choose to live, work, visit and invest. This has been a consistent line of policy in developing 'sustainable communities' (DCLG, 2003; CLG/BERR; 2008) and HMR programmes have helped to translate these objectives into concrete changes at the local community level.

More recently, a range of government initiatives and associated changes have now achieved a better alignment of the 'institutional furniture' needed to deliver the ambitions of sustainable and prosperous communities, through the creation of the Homes and Communities Agency, the Tenant Services Authority and the National Tenants Voice, coupled with the shift of emphasis in the Audit Commission's approach to Comprehensive Area Assessments (where their role with Pathfinders in recent years might be seen as a prototype). The organisation, rationale and function of HMR Partnerships make them ideally placed to respond effectively to the demands of these new bodies.

A crucial part of the Homes and Communities Agency's first year will be to identify partners that have an established track record of delivery, where partnership arrangements are robust and delivery priorities are sensitive to the market context, not producer objectives. HCA is likely to be impatient with rhetorical flourishes, generic mission statements or promised, rather than tested, modes of collaboration. If this were true six months ago, it has now redoubled in importance given the hazardous economic conditions that need to be navigated. Pathfinders have been able to develop genuinely integrated funding streams that have been focused on restructuring local housing markets so they are better placed to benefit from the consequences of economic growth.

So what should be retained and what needs to change in the next phase of housing market renewal? The relationships of trust that have been built up with both partners and local communities will become even more valuable given the impact of the downturn in shaking overall market and consumer confidence. The flexibility in approach and the degree of operational autonomy for HMR Partnerships should help them respond briskly once market conditions improve – more briskly than it will take many private sector agencies to gear up again. As they have progressed, HMR Partnerships have needed to ensure that their spending has been attuned to market realities, community priorities and broadening the residential offer to attract new households – not an easy path to tread, but a considerable advance on the 'scheme' mentality that has often afflicted public housing investment in the past, when organisations pressed on with long-standing commitments even when wider market conditions had altered. It will be more essential than ever that future housing and neighbourhood investment to be based on 'intelligence' (in both senses of that word).

And what might be changed? The boundaries of the HMR areas were originally based on composite statistical picture of social and housing need (sometimes relying on rather dated sources) and high vacancy rates. The areas of coverage may need to be rethought in the light of more solid evidence about sub-markets, trends in household formation and the impact of in- and out-migration. The focus of HMR investment may have to be broadened to give more substance to activities concerned with place making and asset building than before.

The reservoir of knowledge, skills and understanding that has been acquired in the past six years in HMR teams and their key partners should be used as a resource on a wider sub-regional canvas, as capacity elsewhere is stretched. In the wake of the market downturn, there is now a palpable need for public investment to be directed in a strategic manner to maintain a minimum level of activity- to oil the wheels so the housing market keeps moving along rather than grinds to a halt altogether. This requires a new kind of public-private dialogue to take place about means, ends and values. By continuing support for the HMR programme, and advocating the qualities of innovation and adaptability that have underpinned it, government can highlight its continuing significance – not just within its own boundaries, but as an exemplar for other kinds of sub-regional partnership. And it can thereby show that, in these unprecedented housing market conditions, necessity can indeed be the mother of invention.

Note

(1) Throughout this report the term 'Pathfinder' is used to denote those schemes introduced in the first phase of the programme: ManchesterSalford Partnership; NewHeartlands (Merseyside); Partners in Action (Oldham/Rochdale); Elevate (East Lancashire); Transform South Yorkshire; Hull Gateway; Bridging Newcastle Gateshead; Urban Living (Sandwell) and RENEW(North Staffordshire). The term 'Partnership' includes the Pathfinders and the three HMR areas identified in the second phase: in West Yorkshire, Tees Valley and Cumbria.

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