



Housing market renewal

Housing, programme review

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SAVE**

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Readers' Notes

This critique contains imbedded images of the sections of the original Audit Commission (AC) document being commented upon. To differentiate these from my own text, the AC abstracts are contained within boxes, and to further differentiate my text is in Times New Roman (this font) while the AC report is in arial font.

For ease of cross reference back to the original to establish context, I have used the page number within the original AC document as the section number within my critique – thus Section 2 and all its subsections deals with the contents of page 2 within the AC document.

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Housing market renewal

The origins of the programme

Industrial decline between 1970 and 1990 led to population reduction and areas of intense deprivation, especially in some northern inner cities and towns. Where populations have fallen significantly, neighbourhoods have been vulnerable to a spiral of decline characterised by rapidly falling property values, more people moving out, dereliction, and empty homes attracting antisocial behaviour. By the early 2000s, it had become clear to politicians, practitioners and academics that traditional housing solutions were not enough (Ref. 1, Ref. 2). The case was made to the 2002 Comprehensive Spending Review (CSR) for a more radical approachⁱ.

- 2.1 This is only a part of the story. Nationally, household numbers reached parity with dwelling numbers c1969, and by c1974 notional stock exceeded notional demand by 4% (extrapolation from 1961 to 1981 Censuses). Since industrial decline was already endemic in the North well before the 1970s, some northern housing markets would have been in a position of structural oversupply for years before this national 'tipping point' was reached. Despite this, older housing stock which in the 1960s would have attracted demolition orders was by the 1970's being retained and improved under GIAs and HAAs, while simultaneously relaxations on the availability of mortgages coupled with a period of high inflation in the 1970s - when % house price rises exceeded % interest repayments on mortgages - fuelled a boom in speculative housebuilding, including in markets already in notional oversupply.
- 2.2 The policy response of 2002 was radical only in its scale, not its fundamental approach – knock some down, retain and improve some, and build some more. The fundamental question “how many dwelling units does this market need to support a sustainable community?” was never asked. The situation was made worse by the fact that the partners chosen to bring private leverage to bear were predominantly private developers who knew how to make money by building more houses in a booming market, but had nothing in their 'toolkit' to enable them to make a profit out of managing housing disinvestment. So instead of a strategy to match housing supply to demand by reducing the stock offer overall i.e. going for a 'soft landing', what emerged was a strategy to build speculative new housing to meet speculative and presently non-existent demand.

The policy response

In 2003, the Housing Market Renewal (HMR) programme began to tackle low demand and abandonment (Ref. 3). Its aim is to deliver change on a large scale, working across areas with weak housing markets, irrespective of local authority boundaries.

Nine pathfinders – increased to ten in 2008 – were created, covering some of the most deprived areas in the country and with the most severe low-demand housing problemsⁱⁱ. All are located in parts of the Midlands and North of England. The pathfinders brought together partnerships of local authorities and other concerned parties to tackle this problem. Acting as agents for change, pathfinders have been charged with the development and delivery of wide-ranging strategic plans for their housing markets, to deal with the root causes of problems and not just displace themⁱⁱⁱ.

- 2.3 The root cause – a systemic decline in demand following decades of industrial and commercial disinvestment in the north and midlands in favour of the 'get rich quick' southern economic model – was never tackled. It was beyond the scope of this 'radical approach' and would never have attracted political support – at least not until the financial meltdown of 2008 and its aftermath.
- 2.4 Nevertheless, as long as the housing market continued to boom, the developers were on a one-way bet, as they could expect the publicly-subsidised housing to attract buyers, even though many of those were likely to come from neighbouring areas. This probability risked undermining housing market viability in the areas they were leaving. The alternative to local movers would be economic in-migrants – but what would they be in-migrating for/to? But these probable outcomes weren't the developers problems – they were for the politicians!
- 2.5 What was left was the one thing that was not supposed to happen – problem displacement. This was not a policy choice, but rather an inevitable consequence of the policies that were chosen. As the Audit Commission Report itself conveniently explains:

ⁱⁱⁱ displacement is where policy and investment in one area might simply encourage the problem being tackled to move elsewhere and so to shift beyond the reach of intervention

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The role of the Audit Commission

Since the programme's start, we have been assessing the pathfinders' performance. Our work supports their development and provides DCLG and the HCA with an independent assessment of how effectively the HMR programme is working locally. Our reports also provide commentary on the programme to help inform policy debate and decisions.

- 3.1 For transparency, it would be helpful to know who has actually written the AC report as it cannot have been authored by an organisation. Have any of the politicians or former senior managers of social housing organisations who have benefitted from HMR been employed as consultants or advisers? Have any of the academic consultants who have in the past justified the HMR programme been involved? And if academic consultants have been used, has their

work been subjected to peer review prior to publication?

This 2009/10 review occurs during a period of economic and organisational change that is unique in the pathfinders' short history. The environment has changed profoundly, impacting on the underlying strategic and operating assumptions that shaped the design of the HMR programme. The policy environment has also shifted. In October 2010, the government announced that the HMR programme will end in March 2011 - eight years into what was originally envisaged as a ten to 15-year programme.

- 3.2 The use of the term 'short history' seem to be prejudicial in the context of an ostensibly objective report – as if the HMRs life had been taken away from it before its time. Surely the purpose of the Report should be to establish what time it should have had been allowed to achieve its objectives – assuming those objectives were ever achievable. The Report itself acknowledges that March 2011 is 8 years into what was originally envisaged to be potentially as short as a 10 year programme . Premature perhaps, but assuming that the programme was fundamentally sound and had momentum and private sector backing, not an inevitably fatal withdrawal of 'life support' surely?

4 Summary

Cumulatively, HMR achievements have been significant and, in a difficult year, pathfinders have continued to make progress. The HMR programme is making a difference to the communities it serves, with fewer empty houses, reduced crime, and more jobs and training opportunities, especially in those neighbourhoods that are more advanced in their programmes. By March 2011, HMR investment will have averaged about £115 per resident per year – surprisingly less than the comparative spend by the New Deal for Communities (NDC) programme per head on housing.ⁱ By March 2011, pathfinders will have:ⁱⁱ

- 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; and
- helped maintain over 2,600 jobs in the construction industry each yearⁱⁱⁱ.

- 4.1 It would indeed be a worry if the number of empty homes and crime levels had not been reduced by a policy which has depopulated entire districts and turned them into secured building sites.
- 4.2 Bearing in mind that the fundamental problem from the outset was perceived to be a systemic population decline and therefore lack of housing demand in the HMR areas, the nett change expected is that 30,000 properties will have been demolished and replaced by 15,000 new ones i.e. a nett reduction of 15,000. As the report fails to tell us the size of the gross housing oversupply problem either at inception or the present time, we have no means of judging whether the nett reduction of 15,000 should be counted a success or not.
- 4.3 Since all of the demolished houses that were previously occupied were by definition affordable – households were living in them – and as we know anecdotally and from evidence later in this report that most of the new housing on offer is not affordable and much has had to be 'converted' to social renting, this begs the question as to what the assertion that:

“The HMR programme is making a difference to the communities it serves”

means in reality.

- 4.4 Which communities are being served? How many people have gained versus how many have been displaced? How many households who previously owned their low-cost “low value” homes are now having to live in replacement social housing with the attendant loss of owner occupier status and the additional cost to the public in Housing Benefits?
- 4.5 The creation of additional economic activity and jobs has to be welcomed, but it also has to be recognised that this is a temporary phenomenon limited to the duration of reconstruction. If the deficiencies of the underlying economy have not been addressed, the “root causes of the problems” must surely remain.

Since 2003, in pathfinder areas, HMR has provided the finances and the impetus for action to rebuild housing markets. But the basic principle of HMR has been significantly affected by the economic downturn. The HMR programme was conceived in a time of economic and market growth. In 2010, the reality is very different: the financial environment that pathfinders operate in has changed profoundly since the 2008 credit crunch. The assumption of access to long term public, private and personal finance to complement HMR funding is no longer a reality.

- 4.6 There is an alternative narrative. The previous Labour Government had a policy whereby 60 % of all new housebuilding had to be achieved on 'brownfield' sites. There was a also a 'policy ringfence' in place around the HMR areas which placed building moratoria on neighbouring non-HMR areas in an attempt to push demand into HMR areas.
- 4.7 There was however a problem – site assembly. By the time of the inception of HMR, large 'windfall' brownfield site opportunities had all but dried up in in metropolitan areas. Would-be developers therefore needed economically-viable sites to be assembled for them, but they lacked the statutory powers so to do.
- 4.8 Simultaneously, the policy of Stock Transfer of Local Authority estates to RSLs was exposing another fundamental problem. Systemic housing oversupply has first been identified on council estates in the 1970s. The policy responses of the 1980s and 90s did nothing to address this – the 'Right to Buy' secured a creeping transfer of ownership but did not address falling demand, and the transfer of capital patronage for political reasons from local authorities to RSLs resulted in an increase in social housing supply overall.
- 4.9 Finally a sustained period of low inflation and economic prosperity in the 1990s through to the mid 2000s allowed many people to buy homes which would previously have been unaffordable, with many of these purchases being supported by what later became know as 'sub-prime' mortgages.
- 4.10 Thus by the late 1990s, demand for existing low-cost housing – social and private – had transferred to new RSL and speculative private housing estates. Demand for low demand 'inner city' housing – social and private – became unsustainable. The problem was exacerbated in University towns where there was a plethora of college/private sector partnerships building 'student villages' and thereby diverting demand from traditional areas of private renting. And finally, the 'loft apartment' boom saw investment-savvy parents and students buying new flats as a more sensible alternative to paying rents.
- 4.11 But that was then – this is now.

- 4.12 'Now' began to happen even as the HMRs were only just gearing up. 'Now' came in the form of the 'Affordable Housing' Crisis which began to emerge in the early 2000s. What gradually emerged was that the only truly affordable i.e. non-subsidised housing was to be had at the bottom end of the market – much of which which was in the HMRs. But releasing this housing back onto the market to meet demand would have undermined the very foundation of HMRs, since their economic model was based on removing these 'low value' homes and replacing them with 'high value' i.e. dearer i.e. unaffordable (without subsidy) units. HMRs could not sustain their programmes if existing housing could be brought back into use and undercut their markets. From the HMRs perspective, the supply of inherently affordable housing had to be withheld from market as a matter of survival.
- 4.13 The HMR may have worked back in the late 1990s when it was first conceived - as long as its unintended consequences of displacement were not factored in - but by the mid 2000s it was past its 'use by' date . It could not adapt to changing market circumstances even then, and the only part of it that could survive – private newbuild underwritten by publicly-funded land assembly and cheap mortgages – was dealt a fatal blow by the financial crisis that began to unfold in 2008.
- 4.14 The above exposed two features of HMR that its proponents cannot accept exist:
- firstly that it was based on a fundamental failure to understand housing markets and therefore
 - secondly followed a traditional interventionist approach (albeit with private stakeholders in tow) i.e. it was never radical

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While dedicated funding will end after March 2011, HMR still has a valuable role to play in supporting the increased resilience of what are still vulnerable neighbourhoods – but a fundamental reshaping is needed. Local Enterprise Partnerships (LEPs)ⁱⁱ will have a pivotal role in determining future priorities and could serve HMR areas well by more closely joining economic and housing agendas. In some HMR areas LEPs have been approved and look likely to inherit some pathfinder responsibilities. In other areas LEPs are still evolving and proposals for continuing the legacy of HMR are yet to be determined. In many places, the focus will be on the delivery of economic development and inward investment projects. In all cases the challenge will be to build upon the legacy of HMR and identify new sources of funding to continue locally agreed priority interventions that help to drive the economy forward.

- 5.1 Attempting to begin to underpin local economies a decade after HMR began – a case of “better late than never” or just “wrong order: too late”? The subtext seems to be that as HMRs are already on the ground in LEPs, they should be given access to LEP resources to ensure completion of their “legacy”.
- 5.2 This of course assumes that the HMRs have a legacy worth leaving. It also assumes that the legacy of housing investment will have any impact in influencing inward investment into the wider economy. Had there been a causal relationship, surely that leverage would have already taken place within the HMRs – after all, they were supposed to be a radical, holistic approach. If that leverage did not take place when the HMRs were generously funded, what is the basis for confidence it will happen now the funding is curtailed?

Eight years into the programme, many homes have been built and many more refurbished. HMR at a neighbourhood level has helped to stabilise market conditions and provide a strong sign of change. But activities in most HMR areas are not yet of a scale likely to tip the balance in favour of a normal market response. Changing the nature of demand and closing the socio-economic gap between HMR areas and those around them are still challenging ambitions.

- 5.3 The AC report itself seems to acknowledge this failure – which had been presented in only the preceding paragraph as a success. “Changing the nature of demand and closing the socio-economic gap between HMR areas and those around them are still challenging ambitions” i.e. HMR did nothing to address the underlying causes of market decline. So what then is the true value of its legacy?

Significant gaps remain between the most deprived and the least deprived areas within constituent council areas. Not enough local people are yet able to benefit from the range of initiatives under way. In particular, more residents need better skills and higher qualifications to get jobs, and a wider range of jobs needs to be protected or created. A realistic future vision is needed for these areas given the changed economic circumstances and the housing and economic problems they continue to face.

- 5.4 More of the same – just read between the lines to reveal that HMR hasn't worked in dealing with the root cause of the problems of housing market failure.

6

The impact of the recession has been pronounced. In HMR areas, since 2008, the number of empty homes has increased, counter to national and regional trends¹. The gap in house prices between pathfinders and their respective regions has widened, having previously reduced, and the number of house sales has rapidly declined. Some pathfinder areas continue to lose population.

- 6.1 Hang on – weren't we told by the AC in their Summary (box 4 my page 5) that the number of empty houses in HMRs has decreased? And having effectively red-lined existing stock and massively degraded environmental amenity standards in HMRs, the authors note that demand has declined as measured by prices, house sales and a continuing population loss. Well!

By 2010, there were some signs of recuperation in most HMR areas. However, it remains unclear whether the period from 2002 to 2007 represents a superficial recovery or a substantive one. The question is, in the changed economic circumstances, will these low-demand areas return to being areas of last resort, rather than benefiting from growth in adjacent higher-price areas?

- 6.2 The period of potential superficial recovery from 2002 to 2007 neatly coincides with the housing boom within the wider economy – it was thus the wider recovery which supported the HMR recovery and not the HMR programme itself. Since market meltdown with falling prices, loss of buyer confidence, a mortgage famine, an economy teetering on the verge of double-dip recession, and cuts in public sector spending which will hit the inner cities hardest, is it any wonder that people are reluctant to invest in the HMRs – would you? And if markets have virtually seized up - with the exception of in the South East which doesn't really count in a discussion about HMRs! - what are the mechanisms by which the HMRs might “benefit... from growth in adjacent higher-price areas?”

The 2010 Spending Review identified that dedicated HMR funding will cease from March 2011. This was not widely predicted and all pathfinders together with their sponsors and constituent local authorities are exploring potential options for continuing the work started by HMR. This will vary depending on local needs and resources. There will be opportunities to bid for other funding but not on the same scale, and the primary focus is likely to shift from physical regeneration to broader economic considerations. Whatever the future holds, ensuring the primacy of the needs of local communities – a key feature of HMR – will have renewed resonance. There is an ongoing need to support residents and promote community cohesion in these challenging market areas. It will be important to build on the pathfinder legacy, prevent market deterioration and manage the risk of community disaffection which may follow from what some will consider the untimely and premature ending of this programme in their neighbourhood.

- 6.3 As a former conservative Prime Minister once observed “Fine words butter no parsnips”
- 6.4 Once again we are told how:
- “important (it is) to build on the pathfinder legacy” - a legacy which by the author's own admission is patchy and a claim which is supported by the flimsiest of evidence, and much evidence not admitted into this Report to the contrary
 - “prevent market deterioration” - something which the preceding paragraph seems to imply the HMRs have actually fuelled
 - “manage the risk of community disaffection which may follow from what some will consider the untimely and premature ending of this programme in their neighbourhood” - this reads more like a quotation from an obituary than from a piece of objective evaluation. “Someone's killed my baby!!”

Recommendations

National government and the HCA should determine how to invest limited resources within the Regional Growth Fund, and any other national decided investment streams, most effectively to support the resilience of failed market areas. This should include:

- identifying what has been delivered and what remains to be done to support HMR areas, in order to inform future decisions and build on past investment;

7.1 Surely this has happened already! Why does it need doing again – does it keep coming up with the wrong answer?

- ensuring that dedicated and coordinated funds support people and place-based interventions;

7.2 i.e. linking LEP funding to people and places in order to subsidise HMRs

- exploring mechanisms to reduce transaction costs associated with regeneration schemes¹;

7.3 I trust this doesn't include short-circuiting public accountability within the planning system any more than it is at present

- maintaining an overview on the outcomes delivered and the value secured for local people; and

7.4 i.e. the people who are left behind – not the ones who have been 'moved on' – who is measuring their outcomes?

- working with lenders and developers to maintain commitment and investment in these areas.

7.5 i.e continue to use public funds to underwrite investment risks which would not be taken in a true market – Housing Market Renewal as Housing Non-Market Renewal

Local partnerships should finalise options for structural change to pathfinder partnerships, ensuring that transitional arrangements do not detract from programme delivery and agreeing key principles to build on pathfinder achievements to date. This should include:

- developing community capacity and linking community engagement and involvement with strategic planning;

7.6 Shouldn't this have been a cornerstone of HMR from the outset – or did those pesky locals keep asking awkward questions?

- building market knowledge and intelligence linked to economic development outcomes;

7.7 Good God – so we have had eight years of Housing Market intervention where there was no link between 'housing market intelligence' and 'economic development outcomes'!

- some “radical approach”!!
- some “commitment to understanding the root causes of the problems”!!!
- some admission!!!!

- developing a clear view of place and the roles of neighbourhoods;

7.8 Ditto – 8 years of a Housing Market programme which had no clear view of place and the roles of neighbourhoods

- integrating and aligning funding to develop place-based budgets;

7.9 They really do want to get their hands on LEP funds!

- modelling governance that melds democratic accountability, community involvement and independent representation to agree strategy and programmes and secure value-for-money outcomes;

7.10 The author has heard of the 'Big Society' and 'Localism'. How can one be 'represented independently'? “I think I speak on behalf of the entire community when I say ...”?

- taking stock of amassed land holdings and assessing which delivery model might encourage added investment and support local economic growth; and

7.11 We've got all this land for new housing that we no longer need, and we want to get our hands on LEP funds, so we'll let you have this housing land for non-housing needs if you give us the cash!

- building impact assessment into regeneration business plans in any future place based funding programme.

7.12 Instead of finding out what works and then investing in it, you invest in something to find out if it works – brilliant!

Chapter 1 Ambitions and progress

9

Table 1: HMR original total funding and outputs per year 2002-2011

Year	2002-2004	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11*	Total
HMR £m	*74.4	194.3	303.2	314.1	405.6	381.0	346.0	260.5	2,279.1
Acquisition	3,207	3,061	3,564	2,867	2,939	3,090	3,087	1,775	23,590
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

*includes £23.4 million for programme preparation between 2002 and 2004.
 ** output targets prior to removal of ring fencing and budget cut.
 Source: funding DCL; outputs 2008/09 onwards HCA; outputs prior to 08/09 pathfinder returns to AC.

- 9.1 This table records monies invested and outcomes. It does not record the scale of the oversupply problem as it was originally perceived, nor the changing nature and size of that problem as market conditions altered in the the mid 2000s and finally imploded from 2008. We cannot measure success or failure from the above, as we simply do not know what the scale of the problem was/is.

6 This highlights that:

- overall levels of HMR activity, as demonstrated in reported outputs, in 2009/10 exceeded the peak of 2007/08 when HMR funding was at its greatest;

- 9.2 This is valid but the data is hardly presented transparently. My rework below adds transparency:

	2007/8	2009/10	2009/10 % over 2007/8
Refurbishments	18620	18290	-1.77%
As %	92.90%	88.65%	
New builds	1424	2342	64.47%
As %	7.10%	11.35%	
Total	20044	20632	2.93%

- 9.3 The increased level of 'positive outputs' i.e. refurbishments and newbuilds was just 2.93% higher in 2009/10 compared to 2007/8 – and achievement yes, but surely minimal and therefore qualified.

9.4 Even adding 'negative outputs' i.e, demolitions in, the position is only marginally better, increasing from 2.93% to 5.61%.

	2007/8	2009/10	2009/10 % over 2007/8
Demolitions	3922	4678	19.28%
As %	16.38%	18.48%	
Refurbishments	18620	18290	-1.77%
As %	77.69%	72.28%	
New builds	1424	2342	64.47%
As %	5.94%	9.25%	
Total	23966	25310	5.61%

9.5 One could understand this 'amplification' of the message in a political justification of HMR, but this report is ostensibly the work of the Audit Commission – surely their role is not to politicise the HMR but if anything to de-politicise it in order to ensure that politicians and the public can make their judgement based on objective measures, not subjective assertions.

■ refurbishment has been the dominant HMR activity throughout – accounting for more than 60 per cent of total reported outputs; and

9.6 The dominance of refurbishment begs a question – if such a large proportion of the 'at risk' housing stock in the HMRs was technically capable of refurbishment as late as 2009/10, why was it in the early stages of the HMR that so much of this stock had to be compulsorily purchased using powers designed to achieve demolition? Why did thousands of householders perfectly happy with the homes they were living in have to be dispossessed of those homes in order that they be renovated? Why could they not have been improved via programmes of rolling improvement by local building firms rooted in the local economy, rather than handed over to conglomerates exporting the profits made out of the local economy?

9.7 Remember, the HMR was supposed to deal with the root causes of the problems, not displace them. If the root cause of the problem was a poorly performing economy – as has been acknowledged above – then how can the best solution found be to structure the 'regeneration' scheme in such a way as to exclude the local economy from achieving maximum benefit?

10 **8** Most pathfinders have tried to understand and influence the dynamics of their local labour market so they can match the housing market, and housing supply, to the needs and aspirations of existing communities and the future workforce.

10.1 “Most Pathfinders have tried ... to meet the needs and aspirations .. of .. the future workforce”. What future workforce? A workforce that does not exist! What does this mean? It surely means nothing.

9 Pathfinders have only recently been required to record the economic impact of their interventions.

- 10.2 I thought that a constant mantra within the Labour Government which established the HMR was “if it can't be measured, it doesn't exist”? So how could a programme intended to deal with the “root cause of the problem” - the economic consequences of disinvestment and depopulation – not have had a built-in requirement “to record the economic impact of their interventions”?

10 HMR investment has provided the impetus to get local authorities and others to integrate their funding to address specific areas' issues on a holistic basis. Private sector resources have been attracted and developers have built high-quality homes in areas where no new housing had been built for a long time.

- 10.3 i.e. large housebuilders have been given land to build houses on which had previously been occupied by – other houses! One tends to get that problem in a lot in existing settlements.

12 Confidence has been returning to the pathfinder areas, but the challenge remains to change the nature of demand and close the socio-economic gap between these areas and those around them. Activities are usually not yet of a scale likely to tip the balance in favour of a normal market response.

- 10.4 i.e. the problem with these areas is that they used to be occupied by the wrong sort of people – the poor. So we decided to move the poor out - we don't know or care where to. We haven't measured the displacement consequences of HMR because we decided at the outset that we weren't in the business of displacing the consequences, so there was nothing to measure. And anyway, the poor weren't the cause of the problem - they were only a symptom.

13 The fact that key challenges still remain in pathfinder areas represents the stage reached in such a long term programme, rather than any failure of pathfinders. It also reflects the scale of pathfinder activity compared with the scale of the housing and labour market as a whole. Together these suggest the need to consider a different approach, which local partnerships, including the emerging LEPs will want to explore as they develop proposals for future interventions.

- 10.5 Abandon ship - we've run out of fuel!

11 Chapter 2 The changed economic climate

14 In 2009, we described what had been a challenging year for HMR (Ref. 4). The credit crunch had hit the pathfinder areas hard and created a risk of heightening the already severe housing and socio-economic challenges that they faced. However, HMR status and funding had gone a significant way towards changing the dynamics of the housing market in pathfinder areas, and cushioning the worst of the recession's early effects.

- 11.1 While the rest of the housing market was going to Hell in a Handcart, we were bouncing along on a Subsidy cushion.

12 **16** In 2010, positive signs of recoveryⁱ have yet to translate into any sustained upturn in the housing market, and HMR areas remain fragile. Lack of development finance and a reduction in business confidence has reduced the supply of new homes in the pathfinders, as it has across the country. House builders are still suffering from the value of land holdings falling and are unable or unwilling to resource the commencement of the construction of large sites, preferring to proceed with caution on what is effectively a build-to-order basis. At the same time, difficulties accessing mortgage financeⁱⁱ and increasing unemployment have suppressed demand from individuals. This has affected the fundamental assumption underlying HMR – the availability of public, private and personal finance.

- 12.1 Precisely! Or put another way, without public and personal finance, there would be no private profit to be made from HMR.

13 **17** Professor Michael Parkinson's 2009 report on the impact of the recession on regeneration (Ref. 5) described the commercial property market as being in a 'bubble' between 2001 and 2007. Commercial property values rose 53 per cent over that period and residential property by 126 per cent between 1994 and 2007. While property values were rising at these levels, there were strong incentives for private investment. The model for intervention in pathfinder areas was thus influenced heavily by a set of market conditions that suited private capital investment, supported by a rising market in which sufficient value could be envisaged to offset the associated risk.

- 13.1 Put another way, the evidence that this collapse in confidence was inevitable had been building for over a decade, and was already clear by 2002 when the ODPM took the decision to launch HMR, thereby enabling the removal from market of inherently affordable housing stock in key inner cities at precisely the same time that 'Affordability' was becoming a major political issue. Was nobody joining the dots? I suppose that's the risk one takes in seeking policy advice from estate agents!

18 Since 2008, the extent of change in markets, reduction in credit availability and approach to risk by funders and developers alike is such that it is uncertain – and some would say unlikely – that previous conditions will reappear, especially in those places that are seen as marginal. Previous market conditions are now seen as extraordinary. Some investors and developers may have hoped to sit it out and wait for a return to the ‘norm’, but it seems that a new housing market reality is in place.

20 The removal of the ring-fence offers opportunities for greater flexibility, as councils have to cope with broader in-year cuts. Table 2 shows the cuts to HMR and the remaining budget, alongside cuts made to constituent council budgets announced in June.

- 13.2 Despite this “new housing reality” which seems entrenched and normal, it seems implicit in this Report's proposals that this new reality be discounted as far as the HMR is concerned, and that it should be allowed to 'asset strip' other remaining publicly-subsidised programmes in order to survive. However, given the acknowledged fundamental change in housing market conditions and their underlying assumptions, the purpose of its survival seems unclear.

- 17
- 22** HMR is just one of a number of activities competing locally and nationally for more limited resources. Investment in failed market areas needs to continue, but the extent to which partnerships are able to deliver programmes will depend on the outcomes of each local authority's emerging response to the settlement for local government, housing and regeneration.
- 23** Any future programme that embraces HMR must be coupled with private growth to generate economic activity, create employment and nurture fragile local economic recovery. Construction is an essential element for this economic growth, and in certain areas HMR has a valuable role to play. However, where HMR is taken forward, it should be part of a broader package of measures designed to revive the economic fortunes in failed market areas.

- 17.1 Successive Governments since 1945 have seen levels of activity in the construction industry as being both a key measure of wider economic confidence, and also a means of creating jobs by using public subsidies to commission new buildings.
- 17.2 However, if the HMRs own analysis of the root causes of housing market failure is to be accepted – declining regional economies and population loss – it seems difficult to understand how the creation of yet more houses in areas of systemic housing oversupply would address the underlying problems, when the stimulus created by building is inherently temporary. Who will live in these additional houses once built if the population overall continues to decline?
- 17.3 Surely the economic fortunes of failed market areas need to be addressed first, yet the Report seems to suggest that the HMRs should be cross-subsidised from these non-housing stimuli.

Chapter 3 Pathfinder responses and recent progress

Case study 2

Pathfinders are finding new ways to help people buy homes

In Newcastle and Gateshead, lenders have responded positively to a 20 per cent 'Cash Deposit' scheme – 5 per cent from the developer, 5 per cent from the borrower and 10 per cent from HMR. It will be introduced in 2010/11.

In Manchester, a 'Try Before You Buy' scheme lets people take on a tenancy of six to 12 months, with rent money going to help with deposit payments if they eventually decide to buy the property.

- 18.1 Desperate times call for desperate measures! Now that the banks have been exposed to have lent money recklessly in the past, the Government has intervened to bail them out, with the consequence that we are now faced by swingeing cuts in public expenditure.
- 18.2 One of the banks' responses to overexposure to the risk of falling property values has been to insist on a 20% minimum deposit of all advances i.e. the borrower risks taking the entire 'hit' up to a 20% fall in the value of the property. So to get around this in Newcastle and Gateshead, the developer is accepting in effect a 5% discount in order to sell, the purchaser is having to find only a 5% deposit, and the HMR i.e. the rest of us is paying the other 10%. More good money chasing bad!
- 18.3 Even Margaret Thatcher had the decency of expecting people to rent their council housing for at least 2 years before exercising the Right to Buy! Manchester is now allowing social tenants to buy within six months of taking over a tenancy, and then using any rents paid in lieu of deposits i.e allowing them to live rent free in effect, and then encouraging the sale of a publicly-owned housing asset at a time when social landlords are screaming that there is not enough social housing to rent to meet demand.

Who is running this Asylum?

- 19 **27** A significant number of new homes originally planned as being for sale have been converted to social rented housing. House building that has continued has required extra gap fundingⁱ and the renegotiation of planning Section 106 Agreements and conditions.ⁱⁱ While this represents a short-term, pragmatic response to market conditions, it is unclear what impact this will have on long term aims, for example to redress tenure imbalance.

- 19.1 So Manchester is selling off social rented housing with a subsidy while generally “a significant number of new homes originally planned as being for sale have been converted to

- social rented housing.” Is it me, or are they making it up as they go along?
- 19.2 And what of the concern to “redress tenure imbalance”? Is this Newspeak which means that the belief at inception was that a fundamental problem in the HMRs was that there was too much social renting and not enough owner occupation, and that permitting an increase in social renting at this stage may “impact on long term aims” of gentrification and making the inner cities more middle class?
- 19.3 Maybe Manchester has the answer – rent the houses out for now, but sell them off to the sitting tenants at the first possible opportunity. But this raises two fundamental questions:
- 19.4 if the sitting tenants do not have the incomes to buy at present, is there not a risk that their incomes may remain marginal even at the point where it suits their landlords to encourage them to buy via discounts and other incentives? Is this not a recipe for a series of mini "Sub Prime" markets in the inner cities – as soon as interest rates increase and/or incomes drop, the whole 'deck of cards' will collapse
- 19.5 if it was this easy to improve an area i.e. by rebalancing tenures, and given that the majority of HMR activity has focussed on refurbishment of existing stock, why was the original strategy not simply for the social landlords already present in the HMR areas to market their surplus stock to prospective purchasers seeking 'affordable' housing? It was not as if this source of demand was politically invisible in the early 2000s.
- 19.6 A mixture of grants, technical help and 'sweat equity' could have achieved far more in the HMRs more quickly and cheaply than the strategy adopted.
- 19.7 But of course, the pragmatic approach offered little to attract 'partners' from the private construction sector who were after major 'brownfield' redevelopment sites, nor for the social landlords with portfolios brimming with 'difficult to let/hard to manage/expensive to maintain' properties across the inner cities in HMRs. The survival of the other, newer parts of their business empires needed competition for customers from an alternative 'cheap' housing sector like they needed a hole in the head. Plus the 'writing down' of their surplus housing stock consequential to a wider HMR avoided a load of awkward questions as to why they had allowed themselves to sleep-walk into a position of oversupply at great public expense in the first place.
- 22.1 Table 4: Number of homes in pathfinders and their local authority areas records inter alia that there are 968,685 homes within all Pathfinder area boundaries. Comparing this data with that in Table 1 cited above reveals:

	Totals	% total stock
Housing stock in HMR areas	968,685	100.00%
Demolitions	30,987	3.20%
Refurbishments	108,734	11.22%
Newbuilds	15,780	1.63%
All retained/new	124,514	12.85%

- 22.2 Thus a little under 13% of all retained/new housing in the HMR designated areas is actually (being) provided via the HMR programmes itself. This begs a fundamental question - why is the overwhelming majority of 87% of the housing stock covered by the HMRs designations when they are not included in the HMR programmes?

- 22.3 More particularly, given the investment uncertainty generated by the HMRs, why have 844,171 non-programme properties (968,685 minus 124,514) been potentially 'red lined' by the designation of HMRs around them? They are clearly not regarded as being in need of interventive action. What impact has this unnecessary scheduling done to community, householder and investor confidence in these much larger areas?
- 22.4 Since a clear stated ambition of the HMRs was to avoid displacement and the author of the AC Report has accepted this position, what have the HMRs or the Audit Commission done to identify evidence for this probable displacement, and to measure any economic consequences? Given the relative scales of the HMR versus non-HMR stocks and given a widely-known track record of previous urban regeneration programmes creating collateral blight, it seems probable that the negative impact on these 'collateral damage' areas may well exceed any positive outcomes within the intervention areas themselves.

Wider market weaknesses in pathfinder areas

32 Continuing challenges – some extending beyond pathfinder boundaries – remain to be tackled. There are still significant gaps between the most and the least deprived areas. Not enough local people are able to benefit from the range of initiatives under way.

- More residents need better skills and higher qualifications to get jobs. In Salford, as many as 50 per cent of working-age residents in poorer parts of the city do not workⁱ. In Birmingham, 21 per cent of working-age people have no formal qualifications, while in Barnsley the figure was 23 per cent in 2008, almost double the UK average of 12.3 per centⁱⁱ. Five of the ten worst-performing cities for low skills identified by Centre for Cities (Ref. 6) also feature in the ten worst-performing cities for employment. All are in pathfinder areas: Blackburn, Hull, Liverpool, Barnsley and Birmingham. In these areas, a focus on increasing the skills of the population will be particularly important.

- 22.5 How are these substantial low-income, benefit-dependent sections of the the HMR 'community' supposed to benefit from “tenure rebalancing” in favour of owner occupation?

23

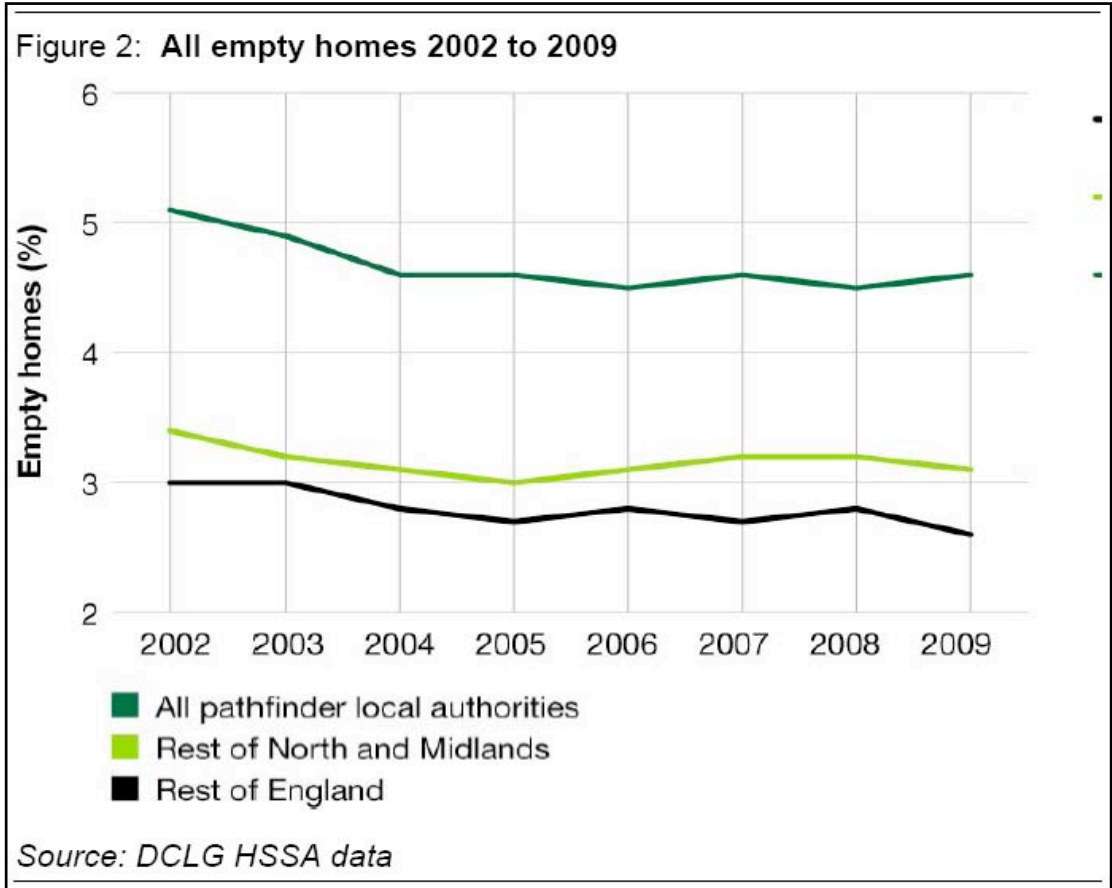
- A realistic future vision is needed. In East Lancashire, ambitious plans are emerging, but it is too early to say how achievable or effective these will be. Significant risks to Stoke's long term plans have already been identified. The changed economic circumstances and the enduring economic problems facing Stoke make it hard to see where future growth will come from. In Tees Valley, more work is needed to develop a better understanding of what works well and what partners need to do to compete in a global economy. In all areas, previously agreed plans for HMR will need reviewing, given the end of dedicated funding after March 2011.

- 23.1 Pulling the strands together, HMR was predicated on re-balancing tenure offers in order to attract “future residents” whose presence would be secured by hoped-for better economic prospects. None of this is going to happen – yet we carry on! There is no Plan B.

24 Chapter 4 Key outcomes and market trends

25 **36** Success for pathfinders is often simplistically reported as house price gains or having tackled low-demand housing. The reality is far more complex and bound up with much wider market forces. Even so, it is useful to examine changing housing market outcomes in pathfinders and their wider local authority areas, all of which are seeking a better quality of life for residents.

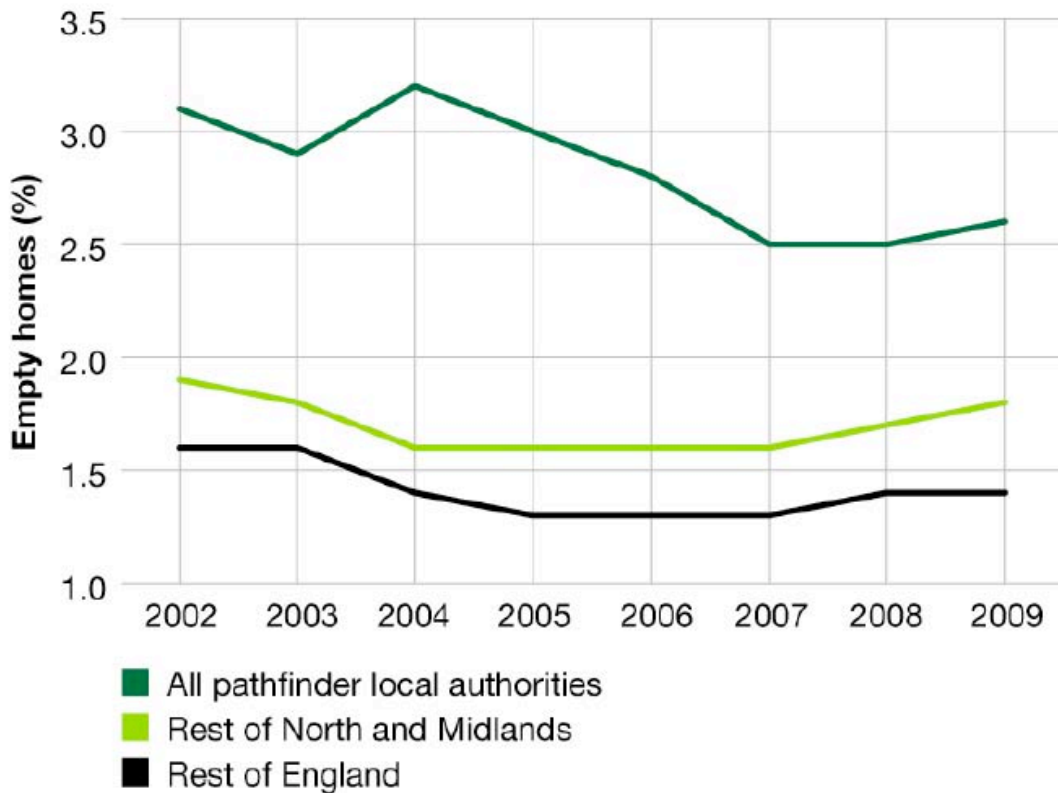
25.1 It's not about house prices – so let's look at house prices!



26

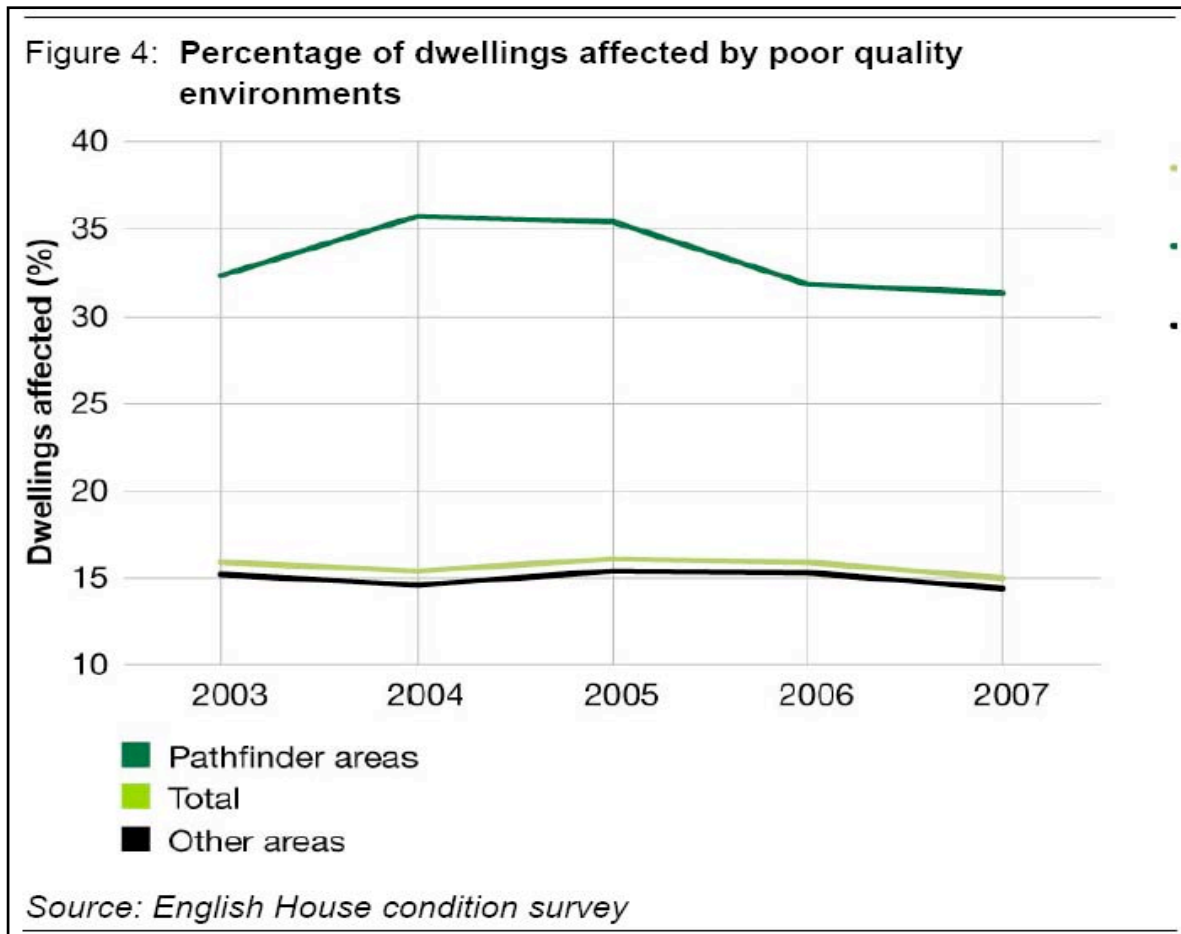
40 Overall, there is a more significant fall in the number of private empty homes, as shown in Figure 3. And, while the level has risen during 2008, this is generally in line with national and regional trends.

Figure 3: Private homes empty over six months 2002 to 2009

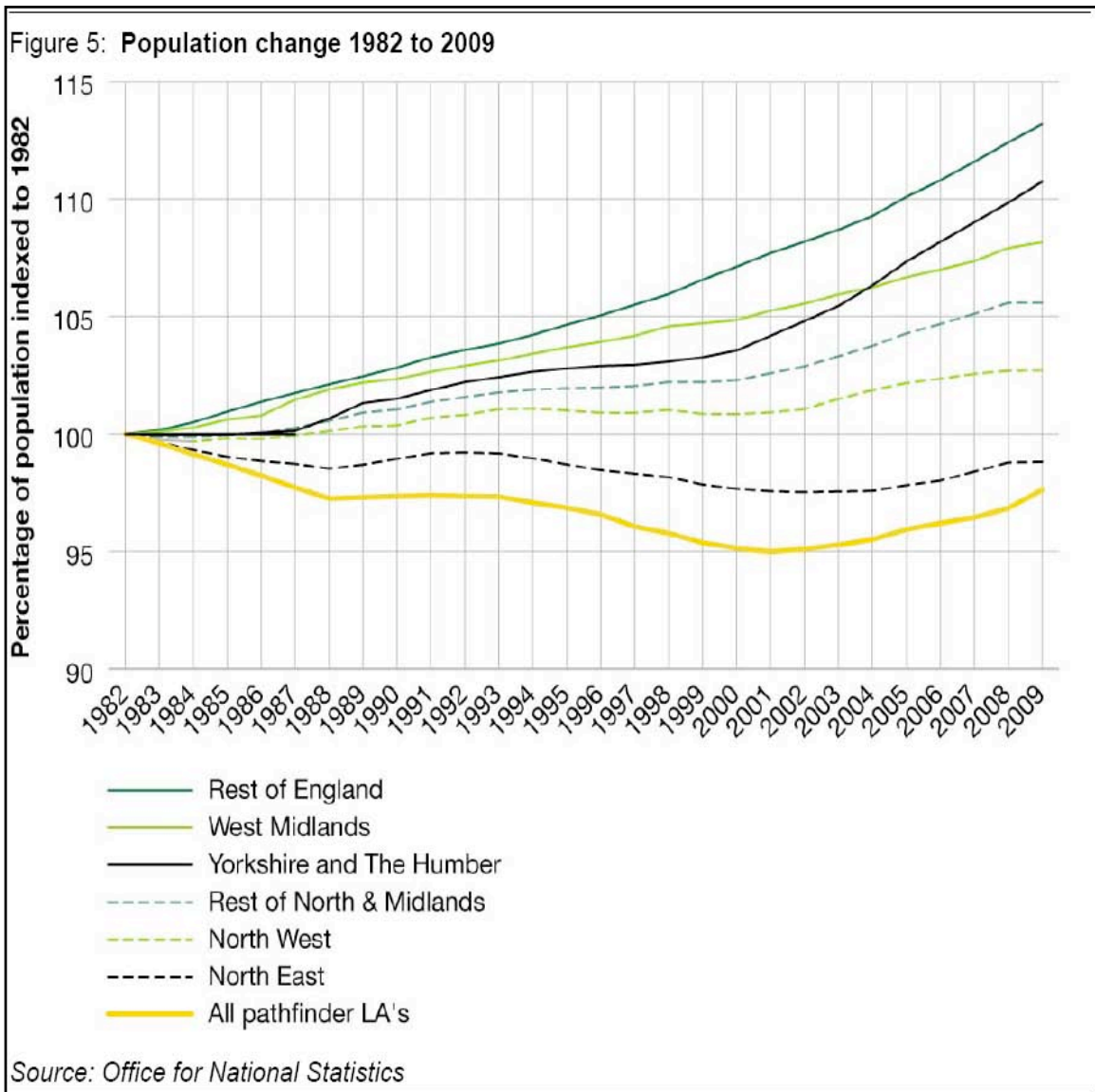


Source: DCLG HSSA data

- 26.1 HMR was always about removing surplus housing from market. Yet – and despite 30,987 demolitions having taken (AC Table 1) the % of empty homes in the Pathfinder authorities has flat-lined since 2004. In plain English, the HMRs are failing to address the oversupply problem even on their own terms and within their own policy ring-fenced areas. Could the newbuild programme they also support have a bearing on this? Logic says it must.
- 26.2 This is not surprising since by the HMRs own admission, tenure in the HMRs needed to be 'rebalanced' i.e. there was a relative absence of privately owned homes. The programme was also led by a process of acquisition in order to assemble development sites, thus inevitably front-loading the purchase of existing properties.



- 27.1 Ditto – difficult-to-lets/sell would be open to the earliest interventions, and given that one of the reasons they were difficult to let/sell would have related to environmental quality, the above figure is all to be expected.



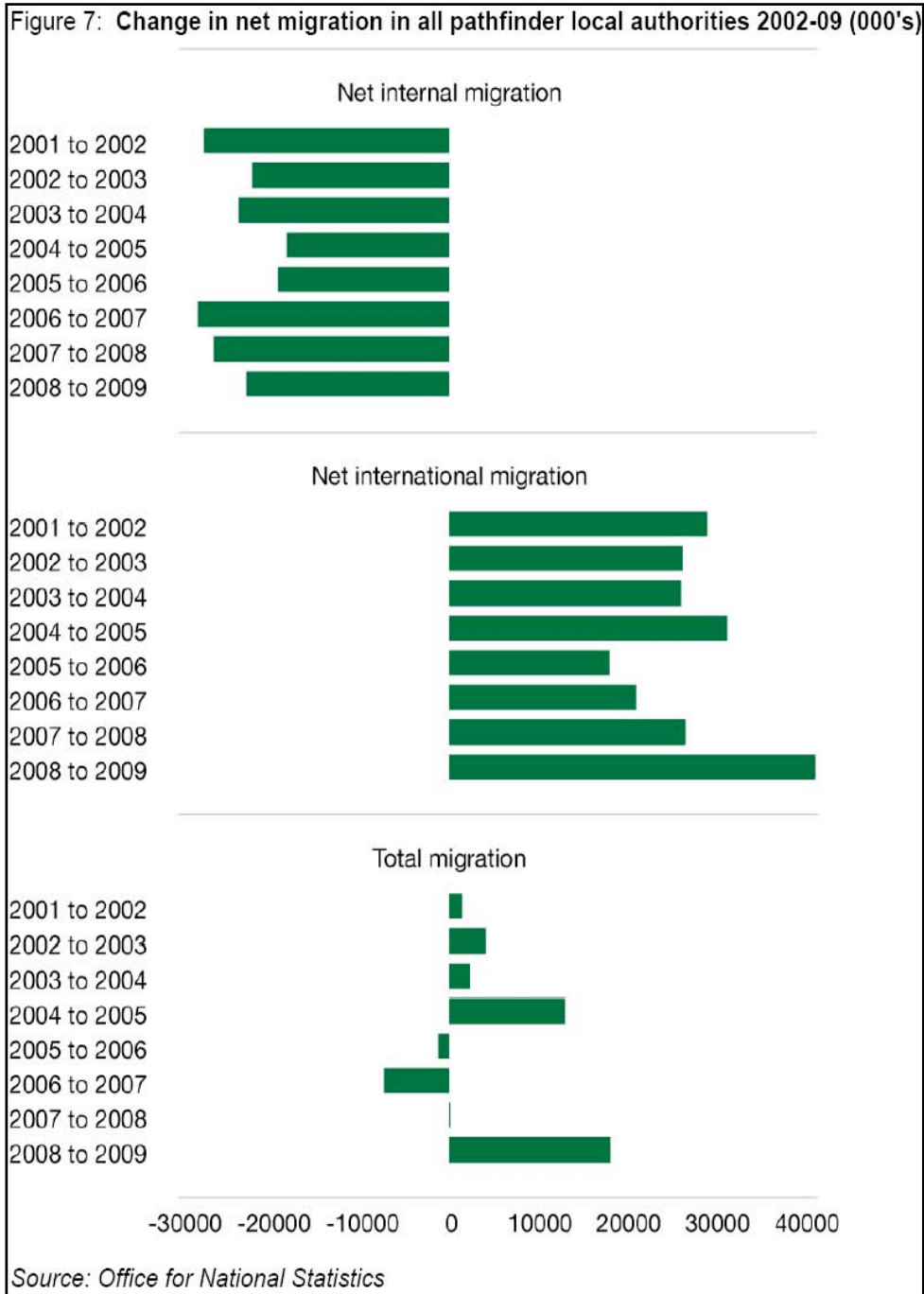
44 Figure 6 shows population change in the seven years from 2002, compared with the previous six years. It highlights more marked recent growth in pathfinder regions than nationally, although because of the relative small scale of pathfinder activity compared to wider influences at a local authority and regional level; it is unlikely that HMR activity will have contributed to these trends at this stage.

28.1 There is an alternative view, which is that following 20 years of relative population decline, the Pathfinders had begun to attract additional nett populations from 2002 onwards having 'bottomed out' between 2000 and 2002. Anecdotally this coincides with the emergence of 'housing affordability' as a growing economic and policy concern, and would seem to indicate that people were moving into HMR areas precisely because they offered a range of housing options that had become priced out elsewhere.

28.2 Since we know that social landlords had a history of difficult-to-let problems in these areas and were withdrawing their homes from market during this time, this would suggest the increase in demand was taking place largely within the atypically small market of private housing. This would have presumably have had an impact in increasing house prices and values which would itself have fed back into investor confidence. Then along came the HMRs!

29

45 While medium-term trends appear positive, most areas are still losing population to surrounding areas. Figure 7 shows that, since 2002, population increase in pathfinder local authorities is mainly because of international migrants, adding an extra dimension for these areas to consider. Independent researchⁱ indicates that these inward migrants are positively impacting upon HMR areas by increasing demand for private rented and owner-occupied housing, as well as having skills and qualifications that are supportive of improving levels of local employment. However, it also stresses the importance of ensuring pathfinder initiatives respond to the needs and housing aspirations of those residents at most risk of social exclusion.



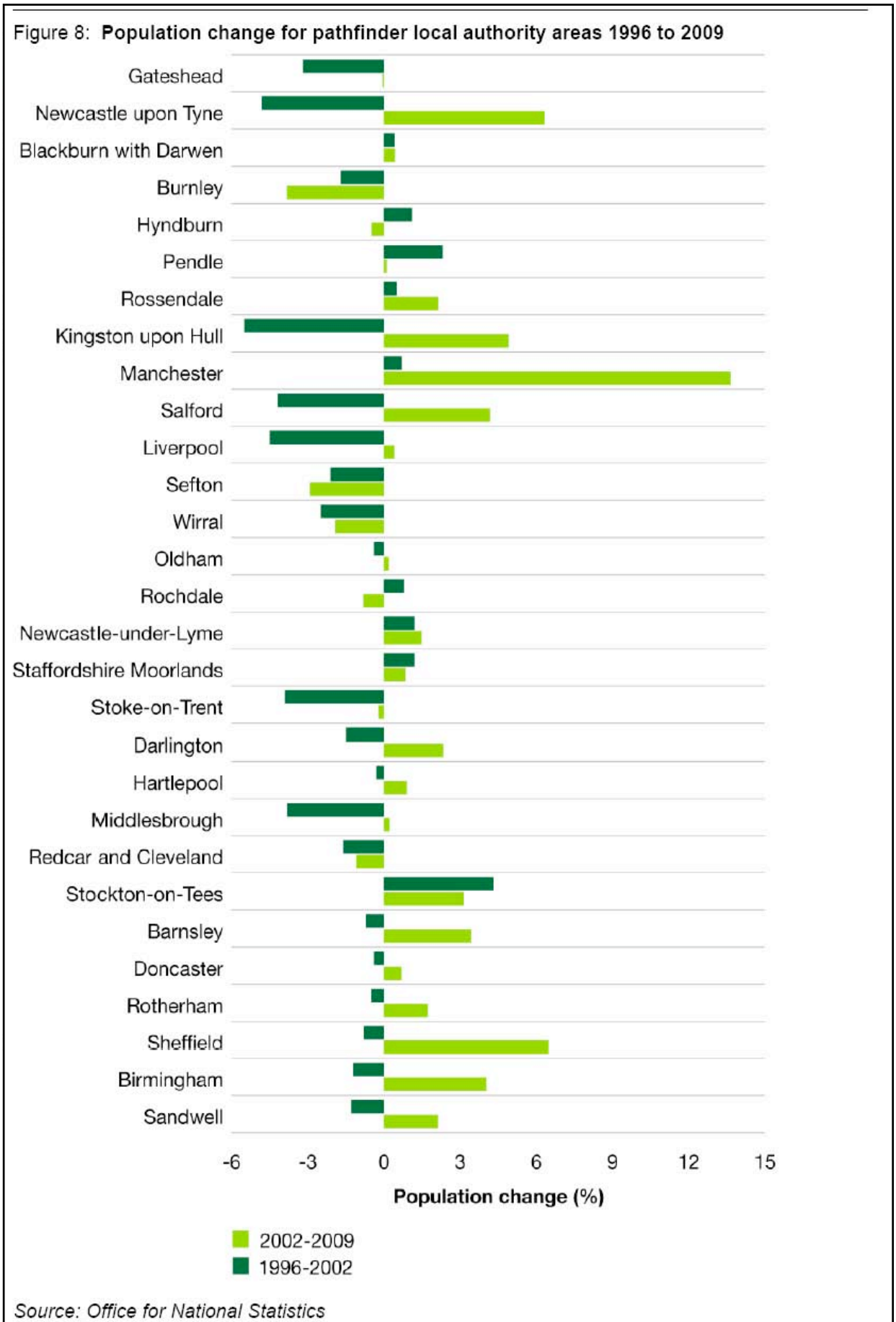
30.1 Here we see an attempt at sleight of hand. Figure 5 showed an increase in population within HMR areas which preceded and therefore could not be associated with HMR intervention. The author has attempted to pour cold water onto this by stating “While medium-term trends appear positive, most areas are still losing population to surrounding areas” and ostensibly supporting this conclusion by reference to Figure 7.

30.2 But Figure 7 relates to population movements within the Pathfinder local authority areas i.e. it is comparing a phenomenon within the 968,685 homes encompassed by the HMRs with the 3,283,570 homes encompassed within their 'host' local authorities (data from Table 4) Apples are being compared with oranges.

30.3 If the evidence shows anything, it is that the HMR neighbourhoods within their 'host' local authorities were attracting nett population increases from before the time the HMRs were designated. This would seem to have in part come from economic in-migration (presumably mainly from the 'new accession' member states of the EU) probably coupled with indigenous homebuyers looking for something affordable.

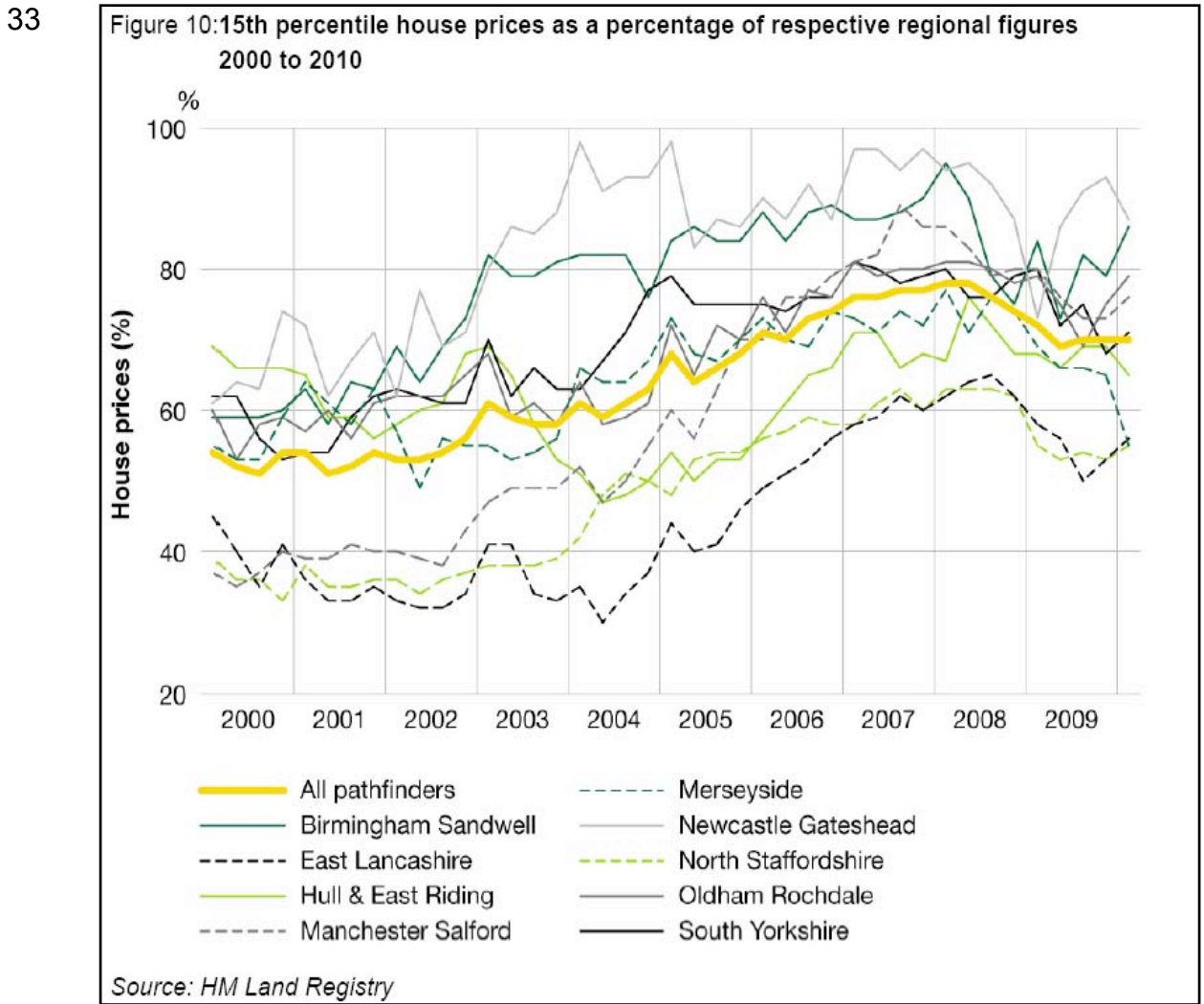
46 Composite figures also mask some significant local variations. Figure 8 shows some local authority areas have not yet seen positive change. Places in East Lancashire, Merseyside and Tees Valley, in particular, continue to lose population.

30.4 Again apples are being compared with oranges. An evaluation of the impact of HMRs should surely separate out population changes within HMR boundaries from those outside of them, otherwise the data is meaningless. Has the population within the HMRs increased despite the drop outside – that is surely a key question which begs an answer?



31.1 The text refers to price changes in HMRs versus national trends, but the chart contains no data on national house price movements against which this assertion can be tested.

32 **48** A key aim of HMR is to close the gap between prices in pathfinder areas and their respective regions. Figure 10 shows that by 2007 all were making good progress and some were close to achieving this aim, with Manchester Salford making particular gains. However, the gap has opened again since 2008.

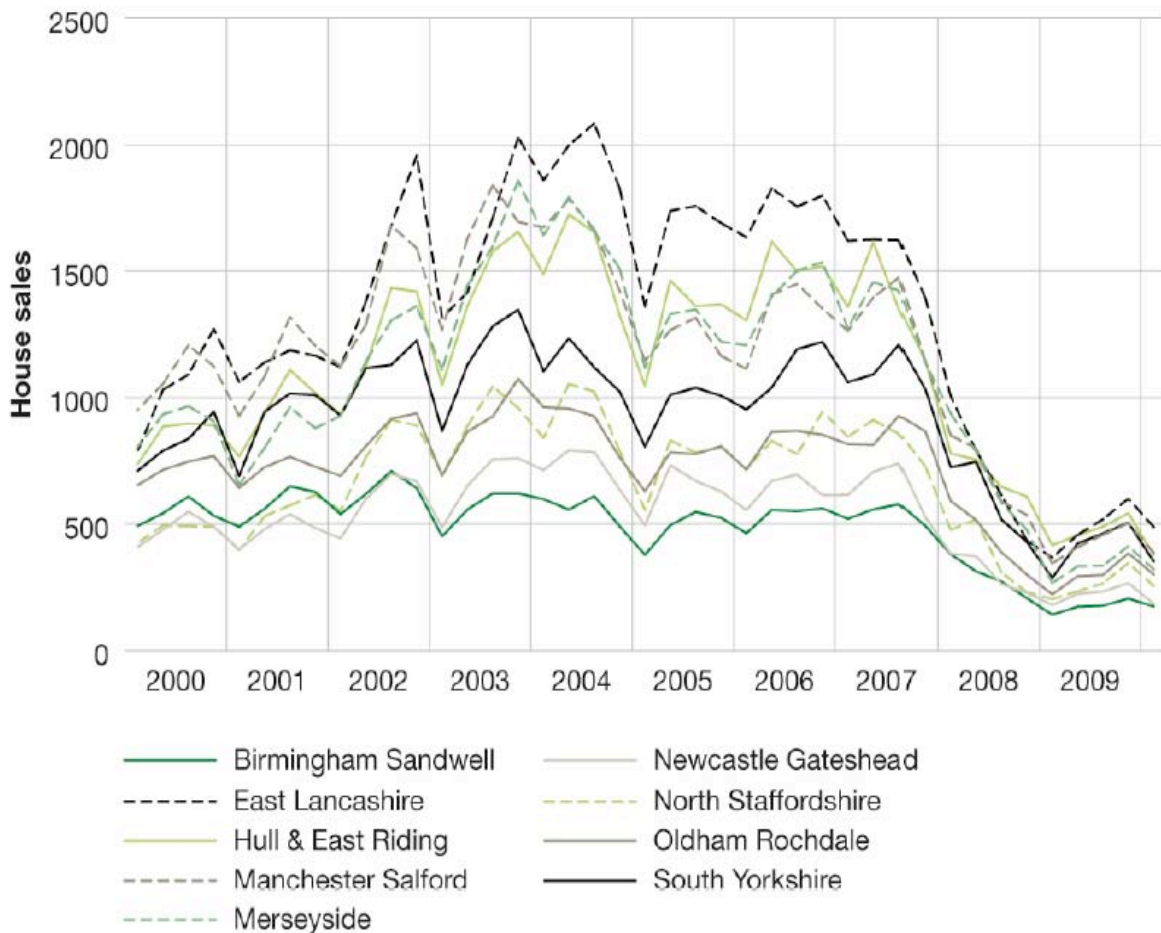


33.1 I can see no justification for the assertion above based on Figure 10 which seems to show all Pathfinders flat-lining from 2008; some of their respective regions showed increases in prices while others showed decreases over the same period. Without access to the underlying data, there is no way of establishing if this statement has credibility.

49 Since 2007, pathfinder areas have all seen numbers of house sales reduce dramatically overall, (Figure 11) and as a proportion of those in their wider local authority areas (Figure 12). While the phased nature of HMR may generate some peaks and troughs in activity, the rapid decline in the volume of sales linked to wider economic circumstances suggests the HMR areas remain fragile and have yet to benefit from and fully reconnect to markets in neighbouring higher-price areas.

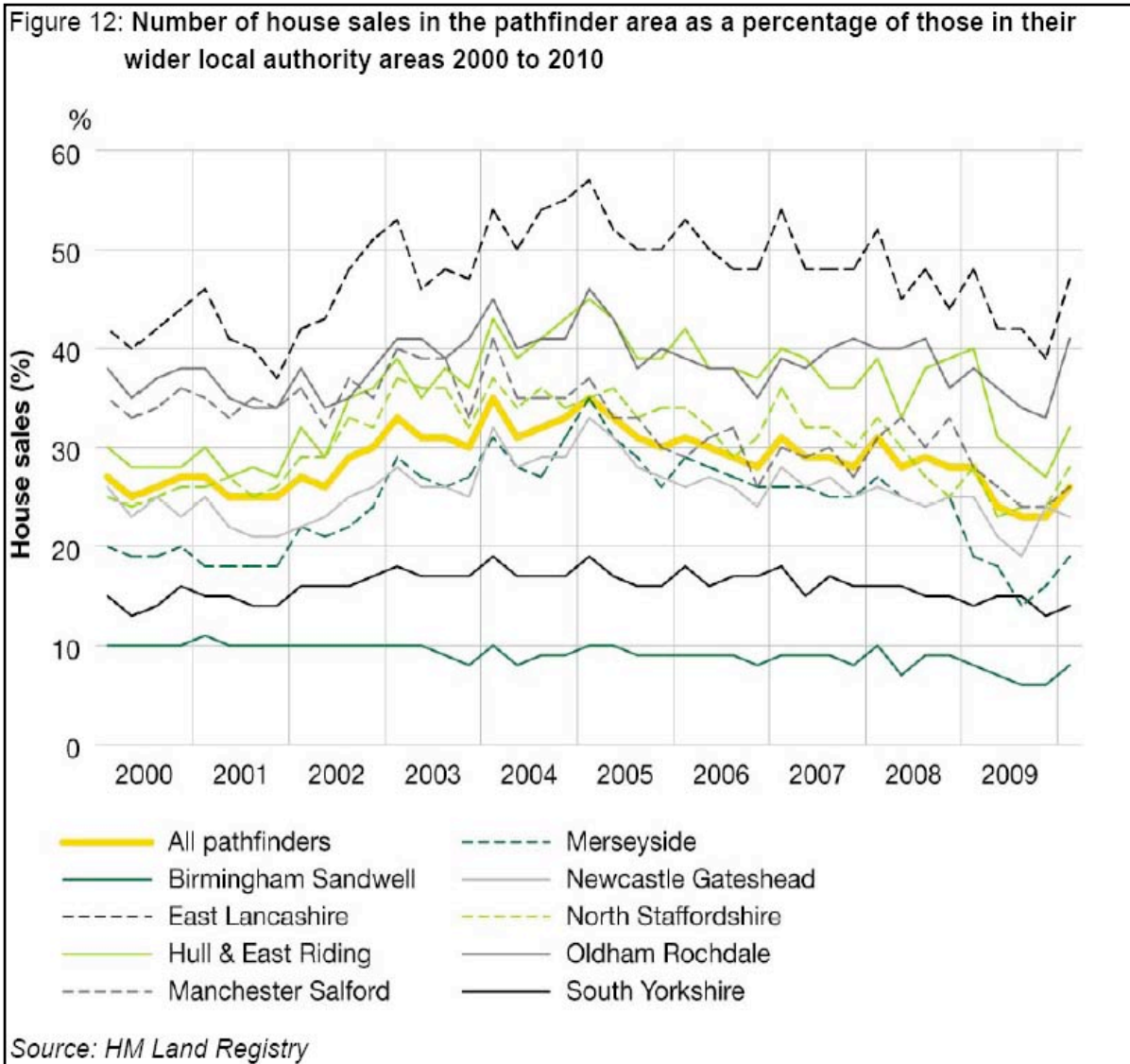
34

Figure 11: Numbers of house sales in pathfinder areas 2000 to 2010



Source: HM Land Registry

35



35.1 Once again, a statement has been made without transparent supporting evidence. The devil – and the truth – is in the detail, not in pretty, unintelligible diagrams. And where is the 'control' data for respective regional and national housing markets? How are we supposed to be able to infer the relative performance of HMRs without context? How is this style of presentation supposed to aid the 'audit' process?

Reduced worklessness

35.2 I have not analysed this section as it seems to relate to the aspiration of broadening the scope of HMRs in order to attract LEP resources, rather than to explain if and to what extent the HMRs have met their core housing market renewal remit.

36

“Early findings suggest that HMR is having a demonstrable positive impact at neighbourhood level with fewer empty homes, reduced crime and rising house prices, especially in those neighbourhoods which are more advanced in their programmes.”

36.1 Where is the evidence for this 'conclusion'?

- Fewer empty homes would be an expected outcome from the HMR programme, yet the evidence given suggests that the HMRs are treading water (AC Figure 3) rather than achieving this objective
- no evidence at all has been offered to justify a claim for crime reduction – where has this 'conclusion' come from?
- And what evidence there is of rising house prices is that those rises occurred prior to the HMRs gaining 'traction; and that since 2007 house prices have taken a 'hit'

36.2 Perhaps the author thought that no-one would check back for the evidences to these statements and their blatant attempt to imply that any of the meagre positive impacts can be associated with the HMRs themselves. Where there are evidences, they clearly point in a very different direction.

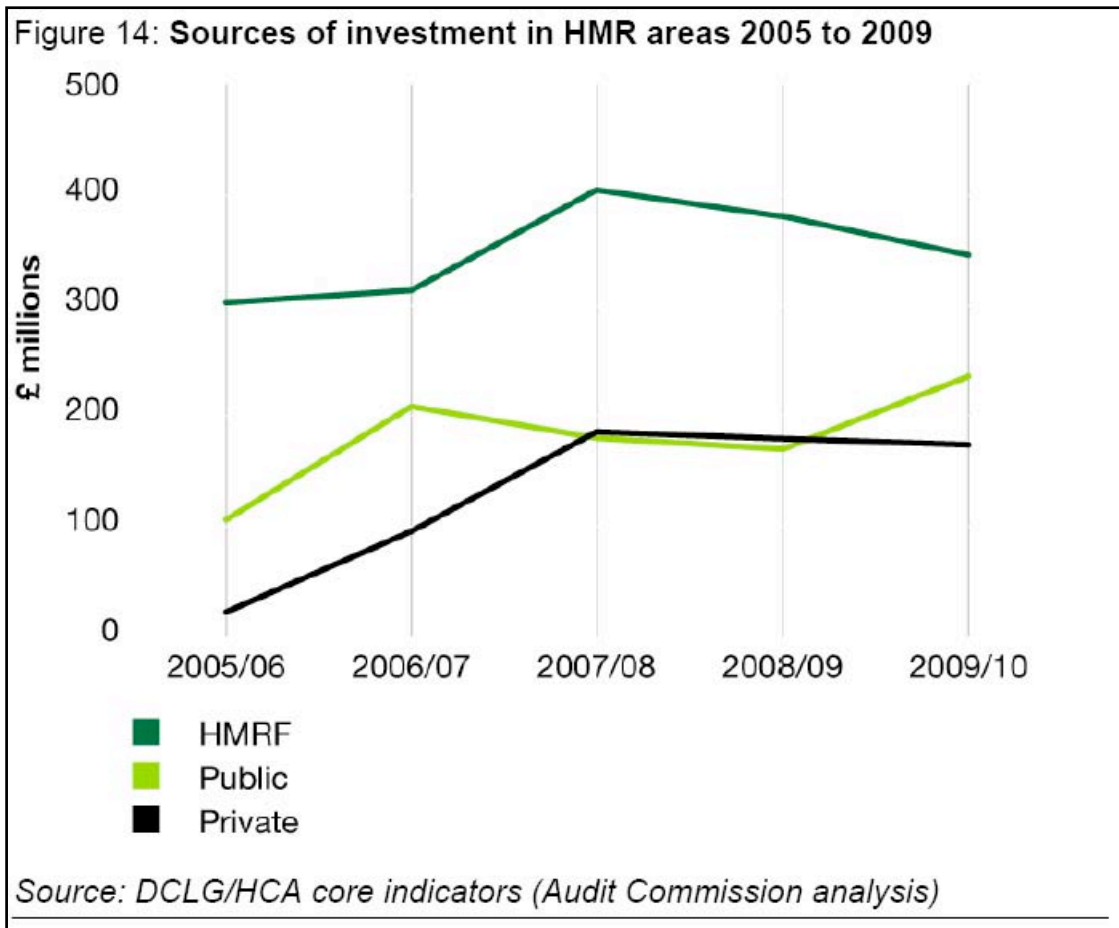
37 **Chapter 5 Securing value for money**

The AC Report opines that it is difficult to measure the impact of HMRs – but why?

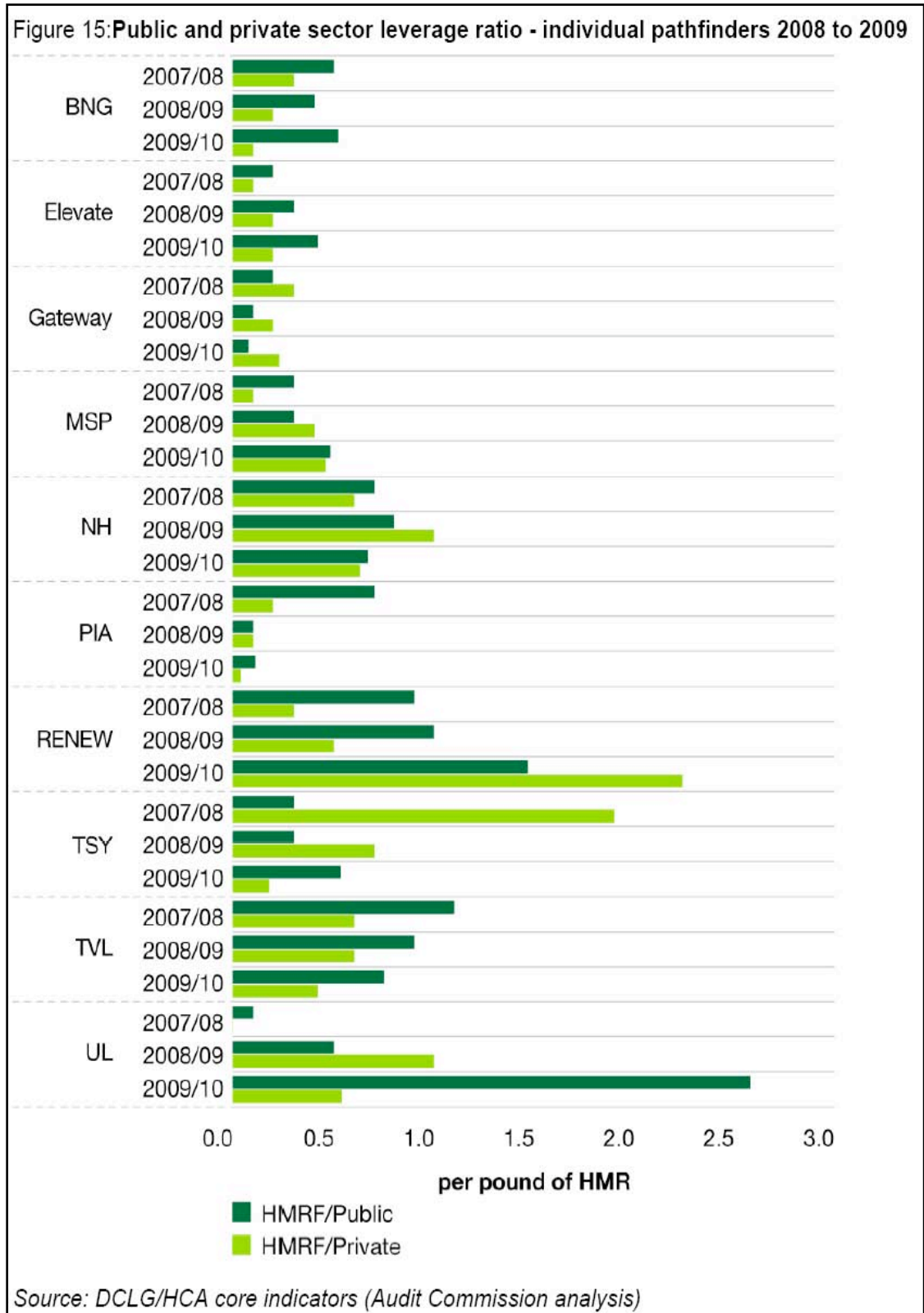
There were a number of other areas with similar problems which did not make it through to Pathfinder status. As all the data collected seems to come from national data sources e.g. land registry – why would it not be possible to create a 'control group' from these excluded areas and thereby monitor the impact of interventions against non-interventions? Was the extra few thousands in cost too much for the bloated HMR budget to bear? Or would it have opened up the HMR to a far more rigorous scrutiny than has been applied to date?

52 Through the effective and innovative use of public funds to improve homes and neighbourhoods, pathfinders seek to create conditions likely to attract more private money into HMR areas. Figure 14 shows that while HMR remains the major source of investment, it has attracted increasing levels of private money into pathfinder areas. While private funding has levelled off, in 2008/09, for the first time, it slightly exceeded other public funds invested.

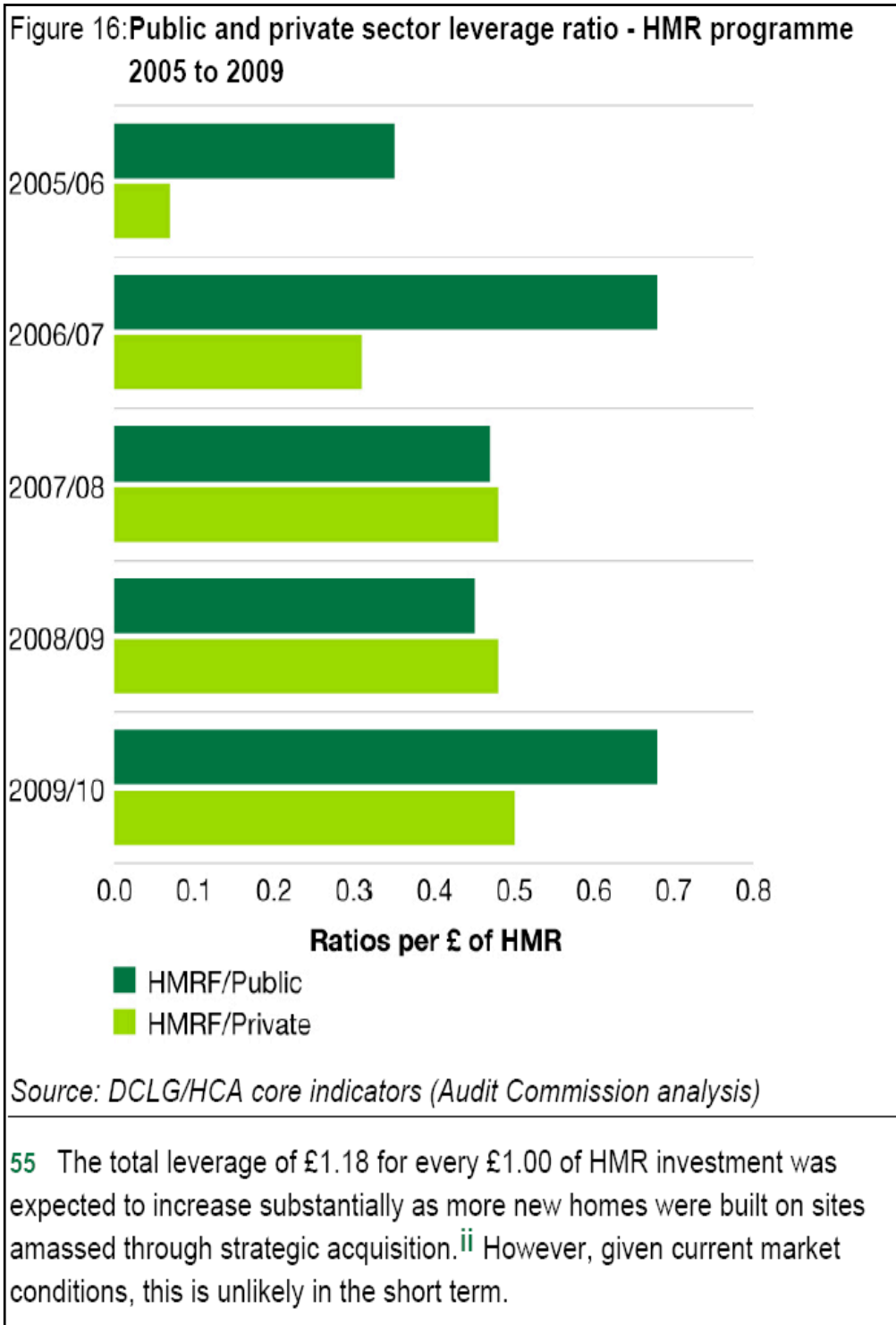
37.1 Note this section on value for money seeks to establish context with a totally unsubstantiated claim.



37.2 The above table attracts no analysis in the Report. My comment would be that, even in the peak output year of 2007/08, private sector investment was running at perhaps £150M while total public investment i.e. HMRF and other public sources, was running at perhaps £550M – a gearing ratio of roughly 4:1 public:private. And as the private investment was largely self-serving – public investment had secured sites and other opportunities within which the private sector could profit – it would be wrong to regard this private investment as being either generous or public-spirited.

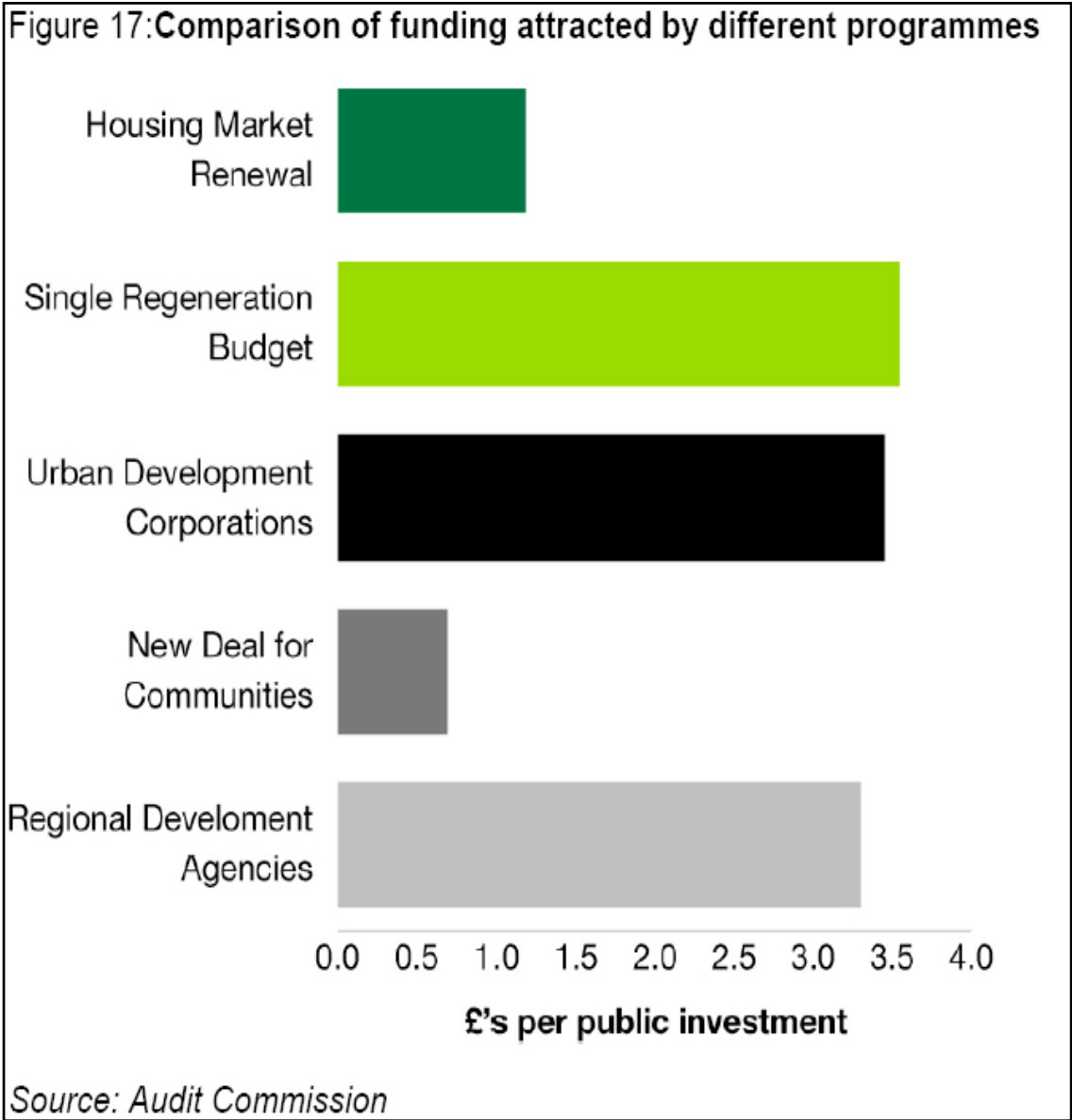


38.1 Figure 15 seeks to confuse matters by associating Private funding plus HMR funding as one variable, then Public plus HMR funding as the other variable i.e. HMR funding is contained in each variable. But in Figure 14, HMRF is clearly a third, separate and public funding stream.



- 39.1 This confusion is compounded in Figure 16 above. The statement regarding total leverage also does not seem to be supported by the data, even though it is shown graphically and therefore cannot be tested against base data. Visually, the sum of 'Private' bars seems much shorter than the sum of 'Public' bars (no pun intended!) and if the statement refers to 2008/09 alone where the ratio of investment seems to be roughly in a ratio of 100 to 120, then the statement relates to only one year out of five.
- 39.2 Reduced to measuring bar-charts in an ostensibly audit report, the leverage ratio of public to private investment over the 5 years is 100 to 70 i.e. for every £1.00 of public investment, only £0.70 of private investment was secured.

56 The ratio currently falls short of what some other publicly funded regeneration programmes and agencies have achieved. (See Figure 17ⁱ) Although direct comparison is not wholly appropriate – because HMR is at an interim stage, while other programmes have been completed – it does point towards what could be achieved long term, given more favourable economic conditions.



40.1 Figure 17 shows that, with the exception of New Deal for Communities, HMR was the worst performing of all the programmes at securing private financial leverage. SRBs, UDCs and RDAs would appear to have outperformed HMRs by a factor of roughly 3:1.

40.2 Thus even on its own terms, this 'radical approach' to attracting private sector leverage in a regeneration programme has not achieved as much success as more traditional, 'tried and tested' approaches. I commented earlier that the Report's author was proposing that, instead of finding out what works and then investing in it, Government should invest in something to find out if it works. Here we have an admission that HMR has not worked compared to traditional, less 'radical' approaches. Policy conclusions should be drawn.

41 **58** Demonstrating value for money has remained a challenge for the programme, but pathfinders have made progress. In many HMR areas, framework agreementsⁱ have added value through using local labour, promoting high-quality design, ensuring effective consultation and securing affordable homes. These agreements also ensure any increases in values are shared between the developers and the pathfinder.

41.1 All of these 'added values' should surely be integral to any publicly-supported processes targeted at economic regeneration through construction-related activities which involve the disturbance if not displacement of resident populations. Why are they listed as if they are 'bonuses'?

60 But in future, a greater coordination and concentration of public assets and investment is needed alongside private resources to get the most benefit from regeneration. We have identified that to improve services and increase value for money, public bodies need to learn from one another and work more closely together (Ref. 11). And a more coordinated approach, focused on both places and people, is needed in HMR areas to ensure complementary economic and physical outcomes that respond to the needs of a recognised geographical market area.

41.2 This implies that a greater input from the public sector versus the private sector is inevitable i.e. the private sector has come to regard the HMRs as being too risky. So a fundamental cornerstone of the HMR process is reported to have crumbled and cannot realistically be replaced.

Chapter 6 Future ambitions for a new reality

64 Since 2003, in pathfinder areas, HMR has provided the finances and the impetus for action to rebuild housing markets. But the basic principle of HMR was significantly affected by the economic downturn. The HMR programme was conceived in a time of economic and market growth. In 2010, the reality is very different: the financial environment that pathfinders operate in has changed profoundly since the 2008 credit crunch. The assumption of access to long term public, private and personal finance to complement HMR funding is no longer a reality.

66 Whatever the pace of future market recovery, a changed lending environment and attitude to risk is likely to affect residential development business models (Ref. 17). In pathfinder areas where developer profit margins can be narrow, public resources will still be needed to keep private developers on board.

- 43.1 HMR's 'basic principle' i.e. that private housing developers could be attracted to invest in inner cities if the public sector was prepared to fund land assembly and clearance costs - has been holed below the waterline. A rational person might conclude therefore that the HMR as currently structured has nothing to offer in present market conditions – but no! According to the Audit Commission, all that is needed is to pump in even more public investment!
- 43.2 And note how the ambition has changed. It was originally “to tackle low demand and abandonment” (AR Report p 2). Now it is “to keep private developers on board”! The original means of partial delivery has now become a key objective in it's own right!

67 Developer interest can be fragile. In many places, redevelopment projects are carrying on largely thanks to public money, for example Kickstart (see Case Study 1). Development agreements that transfer risk to the private sector no longer work without huge subsidiesⁱ. New public-private partnership models for regeneration finance that reinforce financial partnering principles while driving high-quality design and sustainable development need to be found nationally and in HMR areas.

- 43.3 So the radical becomes the traditional but with a twist. In the past, major inner city rebuilding programmes were openly led by the public sector as both clients and end-users with the private sector confined to the role of tendering for contract work. The proposal above is in effect that publicly-acquired assets be transferred to private developers, who will then receive additional public subsidies to encourage them to build out, and will then be allowed to take the resultant profits when they come to sell on. Who stands to benefit from this 'new' approach when compared to the 'traditional' approach other than the private developers?

Conclusions

The HMR programme has made a substantial contribution to improve housing and economic circumstances in local areas.

- 47.1 There is little evidence of this presented, and no attempt to measure negative consequences – we are left with no idea of the nett effect of HMR.

It continues to make a positive difference to the communities it serves.

- 47.2 That very much depends on which communities are selected for consideration!

Activities at a neighbourhood level have helped to stabilise market conditions and provide a strong signal of change.

- 47.3 There is no conclusive evidence for this – all the evidence points towards market conditions beginning to stabilise before HMRS were designated, and that current adverse market conditions are having a dramatically negative effect on those HMR activities requiring private sector commitment.

Confidence has been returning to the pathfinder areas but it remains a challenge to change the nature of demand and close the socio-economic gap between these areas and those around them.

- 47.4 Whose confidence? Where and how was this measured?

Interventions and activities in most areas are not yet at a scale likely to make a substantial difference in market terms. This represents the stage of the programme reached, and shows the need for a long term approach.

- 47.5 This assertion is at total variance to the earlier one that “the HMR programme has made a substantial contribution to improve housing and economic circumstances in local areas.” Which is it?

Equally, it reflects the scale of HMR activity compared with the scale of the housing and labour market challenge in these areas as a whole, and suggests the need to consider a different approach.

- 47.6 So the short-term approach i.e. HMR - which is the only approach taken thus far – needs to be replaced by a different approach. Plus HMR failed to “make a substantial difference in market terms” even in its early years when market conditions were particularly conducive.

A better understanding of the dynamics between the local housing market and the local economy is needed alongside broader, targeted work to support the resilience of failed market areas. We must also ask whether more funds should be spent on more holistic, people and place-based interventions, rather than primarily on housing.

- 47.7 HMR hasn't worked – you can't improve an economy simply by tinkering with the housing stock

Local enabling and decision making will determine a more flexible use of future resources. Local Authorities and LEPs will have a significant role in shaping and delivering local economic policy and regeneration, working towards outcome-driven growth objectives. It will be important at all levels to take stock of HMR progress and challenges and consider how best to build on the pathfinder legacy.

- 47.8 Based on the legacy as outlined in this Report, the best thing to do will be to abandon the HMRs approach altogether. But this takes no account of its present legacy – widespread blight and thousands of households displaced from homes they could afford to ones they cannot without public subsidy. The legacy of HMR will therefore be the unnecessary and avoidable additional burden it places on local authorities and LEPs in former HMR areas.

Even in the areas of greatest deprivation, house prices have moved nearer the regional average since the beginning of the programme. However, some areas will require continuing support to address underlying economic and housing market frailties.

- 47.9 Taking the evidences presented into account, this was entirely due to inherently affordable housing in HMRs remaining in demand as dearer markets priced themselves out – the regional averages increased as the bottom rose faster than the top and middle.

In HMR areas, given what some will consider the untimely and premature ending of this programme, the emphasis must be on completing current key interventions; not least to ensure that promises made to communities are met and to reduce the risk of previous investments being undermined by leaving a legacy of uncompleted projects.

- 48.1 i.e. the 'cheerleaders' for HMR want to do all that is possible to pin the blame for their failure to deliver on 'external forces' and not on their fundamental failure to understand and monitor housing markets as they changed, even before the HMRs were committed on the ground.

At this stage there are too many isolated and vulnerable residents still living in poor housing, and a significant risk that neighbourhood regeneration projects stall, leaving communities living in a poor quality environment indefinitely. Successors to pathfinder partnerships will need to focus on these challenges.

- 48.2 But that's not our problem – now the money's run out, we're off!