

Scrutiny report

June 2004

# Market Renewal

**Birmingham Sandwell Pathfinder**

## Market Renewal Pathfinders

Market Renewal Pathfinders are projects set up by the Office of the Deputy Prime Minister (ODPM) to tackle the most acute areas of low demand and abandonment in parts of the North and Midlands.

In April 2002 nine pathfinders were announced to take forward new approaches to tackling low demand. The areas cut across local authority boundaries with the expectation that partnerships will be established to involve all stakeholders in developing strategic plans for whole housing markets.

The partnerships are to ensure that all the essential requirements of sustainable communities, especially good quality, customer focused public services and a pride in the community and cohesion within it, are addressed, in line with the wider National Strategy for Neighbourhood Renewal.

### The Pathfinder Areas

The Pathfinders cover sub-regional housing markets that straddle parts of two or more local authority areas:

- ◆ Newcastle and Gateshead;
- ◆ Hull and East Riding of Yorkshire;
- ◆ South Yorkshire (Sheffield, Barnsley, Rotherham and Doncaster);
- ◆ Birmingham and Sandwell;
- ◆ North Staffordshire (Stoke on Trent, Newcastle under Lyme and Staffordshire Moorlands);
- ◆ Manchester and Salford;
- ◆ Merseyside (Liverpool, Sefton and Wirral);
- ◆ Oldham and Rochdale; and
- ◆ East Lancashire (Blackburn with Darwen, Hyndburn, Burnley, Pendle and Rossendale).

The areas were identified by research carried out by Birmingham University and subsequent analysis by ODPM of the sub-regions where the problems of low demand and abandonment are most acute. About 700,000 homes are included in the Pathfinder areas. This equates to about half of the one million properties in low demand based on 2002 estimates.

### Prospectus

Pathfinders are required to prepare a prospectus or strategy for approval by ODPM and to do this at their own pace.

Each pathfinder will enter into a performance and funding agreement (quasi-contract) with the ODPM on the basis of their agreed strategic plan. Agreement will be subject to Ministerial approval. In considering plans ODPM and Ministers will have regard to the independent scrutiny of pathfinder plans which will be undertaken (and published) by the Audit Commission.

## **Audit Commission**

The Audit Commission is an independent body responsible for ensuring that public money is used economically, efficiently and effectively. The aim is to be a driving force in the improvement of public services; to promote proper stewardship and governance and help those responsible for public services to achieve effective outcomes for users and the public.

The Audit Commission is a non-departmental public body sponsored by the Office of the Deputy Prime Minister with the Department of Health and the National Assembly for Wales. The Audit Commission has agreed a framework document with its sponsoring departments, and the Commission's Chief Executive acts as its accounting officer.

The Audit Commission report is set against the background of a scrutiny framework which was developed by the Commission, in conjunction with ODPM and the Pathfinders.

### **Audit Commission**

**1 Vincent Square London SW1P 2PN**

**Telephone 020 7828 1212 Fax 020 7976 6187**

**[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)**

# Contents

Market Renewal Pathfinders	2
Contents	4
Summary	5
Recommendations	10
Introduction to the Birmingham Sandwell Pathfinder	13
The area	13
Housing market overview	14
The partnership	15
Analysis of the diagnosis of the current position	16
Information base	16
Impact on adjacent areas	24
Stakeholder involvement	26
Scrutinising the drivers that have led to the current position	29
Drivers	29
What solutions are being proposed and will they be effective?	37
Solutions	37
Community	49
Resources	50
Outcomes	54
Governance	57
Conclusion	59
Summary of theme strengths/areas for further development	60
Appendix 1: Map	65
Appendix 2: List of documents considered during the scrutiny process	66

## Summary

- 1 Birmingham Sandwell is the seventh market renewal pathfinder to submit its prospectus. The prospectus was finalised in March 2004. Planning and preparation were underway before the Audit Commission's scrutiny framework for the market renewal process was agreed in March 2003, but the prospectus itself has been written with knowledge of the framework. From May 2003 onwards the Audit Commission also made 'critical friend' support available to the Pathfinder, to use as it determined.
- 2 The Birmingham Sandwell Pathfinder prospectus presents a bid for £62 million of market renewal funding between 2004 and 2006, and for £1.1 billion over a 15 year project life, in order to deliver its objectives. (This bid has subsequently been revised during the negotiation process and resubmitted at £50 million for the initial programme). It is estimated that the Pathfinder's bid will be complemented by a further £69 million of public and private resources in the first two years, and £3 billion overall. This report identifies some areas where in the view of the Audit Commission further work needs to be carried out to strengthen the proposals. The resulting recommendations should not be seen as criticisms of the Pathfinder but as areas of opportunity to improve the base position, better understand the drivers of market change and their impact on solutions, and facilitate programme monitoring.
- 3 The key question for scrutiny and assessment of any market renewal pathfinder prospectus is whether, over the next ten to fifteen years, the proposals put forward will lead to the creation of long-term sustainable housing markets and communities in the pathfinder areas. Housing markets are by their nature complex, and it is difficult to say at this early stage with certainty that any set of proposals will succeed in generating market confidence. In making a judgement as complex as this, the management arrangements, track record of the partners, vision and level of ambition all need to be taken into account. The key to successful delivery is likely to lie in managing the risks effectively, and being flexible in fine tuning or redefining the objectives in the light of experience and change outside the control of the Pathfinder.
- 4 The national pathfinder programme was designed to capture a range of market situations: incorporating markets suffering the final stage effects of low demand, and markets undergoing earlier structural change that need to be lifted. The demand context for Birmingham Sandwell is not as dramatic as it is for some of the other pathfinders. However the area's complex history and function means that it nevertheless represents a significant challenge for local policy makers and regeneration agencies.
- 5 Over recent decades the Birmingham Sandwell Pathfinder area has suffered the fall-out from a well established regional trend for population decentralisation, through the selective out-migration of its more affluent residents. This process was supported by previous Regional Planning Guidance with its even-handed attitude to growth; by improvements to transport infrastructure and the dispersal of employment opportunities that came with this; and through the incentive of new 'out of town' housing on green-field sites, as well as the 'out of town' shopping and leisure attractions, that catered for the rising aspirations of a growing commuter class.

- 6 The movement away from the Pathfinder and other inner urban areas has also been a direct response to neighbourhoods where, due mainly to their industrial and manufacturing heritage, the environmental quality is now degraded, the housing stock is 'tired', and the quality of public services is criticised and often uneven. For Birmingham Sandwell there are also particular issues around the deterrent effect of a reputation for high levels of violent crime and anti-social behaviour, and falling investment in local centres and facilities. Put simply, for those with the ability to do so there have been reasons to go, and not enough reasons to stay.
- 7 Nevertheless, benefiting from its location next to an expanding regional centre, and with projections of net population growth now for Birmingham, this Pathfinder has not been experiencing low demand or abandonment in the same way some northern urban areas have. Instead it has been increasingly occupied by people with less choice open to them: the number of residents who are economically inactive and/or from ethnic minority backgrounds has risen steadily; and there has also been an intensification of the Pathfinder's traditional role as a reception area for new arrivals to this country. Overall black and minority ethnic communities now constitute some 65 per cent the Pathfinder's population, nearly half of all adults living there have no formal qualifications, unemployment levels are high and nine out of the ten Pathfinder wards are in the top ten per cent most deprived wards in the country. Effective partnership working to deal with social exclusion issues will be a key determinant of this Pathfinder's success.
- 8 The Birmingham Sandwell Pathfinder area is a long-term recipient of Government regeneration funding. There are currently five major area-based initiatives within its boundaries, including two New Deal for Communities projects, and it also forms the main part of one of the region's six economic regeneration zones. This means that the Pathfinder has a significant inheritance of visions, strategies and site ambitions to absorb and try to reconcile, and it acknowledges that it has some way to go to achieve this task. It also means that concerns around repeat public investment will require a clear approach to maximising impact from the Pathfinder – in terms of achieving value for money, and of involving the private sector to ensure sufficient momentum for long-term, sustainable change.
- 9 In the Birmingham Sandwell Pathfinder densities are high, with 47 per cent of homes comprising terraced properties and 25 per cent flats. There is no comprehensive stock condition data for the area yet, but it is likely that disrepair problems in the private sector are widespread, and across both councils some 74 per cent of the homes they provide do not currently meet the decent homes standard. The Pathfinder's own information base shows, however, that many of the 'classic' low demand factors are not particularly prominent here. There has certainly been population loss over the last decade, and substantial social renting is a longstanding feature of the market. However house prices are also rising at faster than regional averages, the population profile is youthful, turnover is falling across the tenures, and vacancy levels are not problematic.

- 10 The notable diversity of this Pathfinder area has generated additional local housing demand, and while its private rented sector has increased recently this seems to have been a positive market response to opportunity/demand pressures, rather than simply absorption of cheap surplus property that was difficult to sell. There are also strong housing markets on the Pathfinder's boundaries that it hopes to be able to capitalise on now, and it is fortunate in having some significant internal opportunities for redevelopment on brown-field sites (albeit with ownership, remediation, and land-use change issues to resolve first). The Pathfinder has concluded overall that its data does not support a picture of failing markets, 'but rather of weak markets and lower value and lower income housing' with some features which mean that, whilst its markets are functioning now, they could be more at risk of tipping into low demand if the current supply/demand balance is disrupted. It will need to carry out further analysis to develop its understanding of the functions and likely trajectories of its (sub)markets for the future.
- 11 The key targets the Pathfinder has set itself to achieve through its anticipated total investment include: increasing owner occupation levels (to 65 per cent); halving vacancy rates, to below the three per cent national target; refurbishing 15,000 homes and helping improve a further 10,600; and widening housing choice through the demolition of 6,000 properties, and redevelopment of 270 hectares of land for housing – producing 12,000 new homes, many of which will be 'aspirational' in type. These measures are also expected to help produce a ten per cent increase in area population, a drop of over 40 per cent in the number of residents likely to move in the short-term, further narrowing of the gap between local and regional house prices, and a halving of neighbourhood dissatisfaction levels.
- 12 The Pathfinder has chosen, as its overall strategy for restructuring its housing market, a twin-track approach that is intended to be simultaneously preventative and proactive. Through its 'active neighbourhoods', neighbourhood management and complementary (non-housing) programmes it aims to stabilise neighbourhoods exhibiting relative market weakness. Through its core programme of larger scale, 'catalytic' development projects selected from its four Area Frameworks, it aims to harness the growth potential of its strategic location and build-in greater variety to the local stock and household base. It has adopted the strap-line of 'Urban Living' to identify its work and objectives to others, and is looking to learn from its partners' previous experience of delivering major regeneration schemes.
- 13 In producing its prospectus the Pathfinder has to date collated a good, reliable hard data baseline. It has also established a platform of soft data, including some interesting work on the housing needs and aspirations of asylum seekers and refugees, which it intends to develop further. Given its specific circumstances, it is possible that the Birmingham Sandwell Pathfinder could be particularly sensitive to adjacency impacts. Along with refining its understanding of current market dynamics, the Pathfinder will need to rework its present approach to assessing adjacency issues, linking this with the development of a more specific, locally-focused risk management framework too. It will be important for the Pathfinder to demonstrate a clear understanding of its overall supply and demand context, assessing the extent of competition from alternative developments; substantiating the level of likely demand from its target customers; and considering the long-term viability of its terraced and social housing stock.

- 14 In addition to this there are three specific concerns that the Pathfinder will need to take particular care to address. The first of these is the danger of Pathfinder interventions displacing market weakness to other parts of Sandwell - a borough in long-term population decline, with an underlying weakness in its economy. The second is that the development of the catalytic sites, said to be large enough to create their own environment, results in the creation of 'gated communities' that do not integrate well with the surrounding areas. And the final one is that the 'stabilisation' programmes for neighbourhoods are not radical enough to deal with the structural weakness the Pathfinder has identified in these markets, and future low demand problems are therefore only postponed instead of being dealt with.
- 15 The Pathfinder is aware that its policies and programmes will have to dissipate these threats to its strategic aims. Key to its success will be a clear, agreed definition of the housing market sustainability to be achieved here; and the establishment, with its partners, of a specific land-use/priority supply strategy for the Pathfinder, with an appropriate social policy framework to support its implementation. If the Pathfinder's ambitious target of achieving a ten per cent population increase over its lifetime is to be achieved, then even with the shift in Regional Planning Guidance to favour growth in the major urban areas, this support will be vital.
- 16 Early on in its development the Pathfinder commissioned some useful, specific research into the more 'commercial' aspects of delivery, including on how to encourage institutional funders to invest in its proposals, and the relative merits of various potential special purpose vehicles. It will need to be clearer about how it plans to take this work forward, and how its programmes may be affected by the major devolution underway of housing and other council services (to the Sandwell ALMO and town teams, and to Birmingham's community based housing organisations and constituency districts). It will also have to radically improve its contacts with local communities and, like many of the other pathfinders, develop a more rigorous approach to evaluating and ensuring value for money from its investment. Finally, additional information will be required on the financing and intended outputs/outcomes of the anticipated early programme before its likely impact can be fully assessed.
- 17 This report necessarily represents a view of the Pathfinder's progress at a point in time, and it is accepted that the rate of development is rapid. There have, however, already been some particular positive aspects to Birmingham Sandwell's approach to market restructuring. These include the creation of a useful pipe-line of projects through its Area Frameworks and good, constructive involvement from public agency stakeholders such as Health and the Police. In emphasising the importance of good design, the Pathfinder has produced initial guidance, and is now working with CABE and English Partnerships on a housing gap funding mechanism to enhance the quality of future developments. There is also a detailed Pathfinder 'toolkit' and outline community engagement strategy in place that incorporate some interesting projects – for example remodelling long terraced streets to promote permeability, and introducing Pathfinder champion awards for residents (following a successful model used previously in Birmingham).

- 18 In addition the Pathfinder and its partner councils are currently developing a new Cross-authority Partnership for the area. This will build on the collaboration arrangements between Birmingham City Council and Sandwell MBC, and will set joint improvement targets that are intended to support market renewal and Pathfinder success. As a mechanism for achieving cross-boundary alignment of mainstream public services, area based initiatives and Pathfinder programmes this is innovative, and likely to be of interest to other pathfinders too. Plans to tie the governance of the Pathfinder in directly to the Cross-authority Partnership, however, need further consideration.
- 19 To conclude, the Pathfinder is a complex area and successfully lifting the housing markets here poses a significant challenge. Although the detail is currently underdeveloped, the Birmingham Sandwell prospectus sets out some interesting directions for tackling the task and demonstrates that, in terms of relative opportunity, the Pathfinder is well-placed to fulfil its aspiration of taking an overall approach that is clearly market-oriented.

## Recommendations

- 1 It is recommended for the Pathfinder's future development that it should:
  - ◆ improve and refine its information base - including dealing with gaps; making best use of existing survey data; enhancing the quality/depth of its soft data, and introducing more commercial (market) feedback;
  - ◆ develop its approach to adjacency analysis – moving away from considerations of added-value to a more pragmatic, and better-informed system of prediction and evaluation, linked into risk control arrangements;
  - ◆ produce a specific plan for increasing social capital in Pathfinder communities, with a particular focus on the lead that the local community and voluntary sector can take here; and
  - ◆ structure the elements and timing of its research programme to provide information and support for development planning, and to justify the choice/funding for its complementary programmes in terms of the market impacts that will be achieved.
- 2 As part of this work it is specifically recommended that the Pathfinder clarify and substantiate its overall supply and demand context, including:
  - ◆ incorporating a mechanism for obtaining regular, coherent business and service planning information from local social housing providers;
  - ◆ substantiating potential housing product and consumer markets in more detail;
  - ◆ providing additional contextual analysis of the future needs and likely demand from asylum seekers, refugees and economic migrants; and
  - ◆ conducting more detailed research into the housing needs and aspirations of emerging Pathfinder households, and assessing the relative importance of the factors that will help determine their housing choices.
- 3 The timescales and sequencing for the recommendations in paragraph 20 are to be negotiated on the basis of a project plan produced by the Pathfinder.
- 4 In partnership with the two Planning authorities, develop a specific land supply and sequencing strategy for the Pathfinder. This should be aimed at engendering confidence amongst private sector investors, set within a wider context of whole borough and city supply, form part of evolving Local Development Frameworks for the areas, and be supported by regional partners and local Area Based Initiatives. Developers should be involved in the formulation of the strategy, to ensure commercial and capacity issues are taken into account, and tensions between Planning-led density preferences and the housing aspirations and likely market choices of local people should be explicitly addressed and resolved.

This should be completed within 12 to 15 months.
- 5 In partnership with the two councils and other relevant agencies, formally consider the wider social policy aims and consequences that may be associated with housing market restructuring, including impacts beyond the Pathfinder's boundaries, and ensure an appropriate social policy framework is in place to address them.

This should be completed within 12 to 15 months.

- 6 Revisit its description of its key objectives with an aim to making them more specific, and sharpening the strategic focus of the complementary ones.

This should be completed within six months.
- 7 Clarify and substantiate the strategic thinking behind its prioritisation of neighbourhoods for intervention.

This should be completed within six months.
- 8 Under the banner of a housing pathways strategy, pull together a clearer toolkit and set of housing options designed to support residents to become and remain home owners in the Pathfinder area.

This should be completed within nine months.
- 9 Establish within its overall risk register a 'critical path' for risk management of the Pathfinder, specifying additional actions that could be taken if required, links to programme management mechanisms for ensuring delivery, and responses to the construction industry capacity issues identified.

This should be completed within nine months.
- 10 Define the housing market sustainability it is aiming for – incorporating this definition into its outcome/output targets and principles for investment; producing a report to consider the benefits that an overt strategy of investing in housing market strength could bring; and assessing the cost-benefits of further public investment in the Pathfinder's terraced housing markets.

This should be completed within 12 to 15 months.
- 11 Ensure full community engagement and communication strategies and action plans are in place in time for the start of programme implementation in the autumn.

This should be completed within six months.
- 12 Provide adequate information to permit an elemental and project-by-project assessment of the value-for-money of Pathfinder proposals.

This should be completed within three months.
- 13 Develop a more strategic approach to demonstrating value-for-money, to include the introduction of financial performance indicators that can then trigger further assessment, and rigorous approaches to assessing displacement and additionality achieved.

This should be completed within six months.
- 14 Following the review of key objectives, refine and develop its selection of output and outcome targets, filling gaps, clarifying derivation and promoting joint ownership to ensure deliverability.

This should be completed within 12 to 15 months.

- 15 With the benefit of independent advice, resolve where it is most appropriate for governance of the Pathfinder to rest; and review and redraft the Pathfinder's constitution. As part of this ensure respective remits are clarified, lines of authority and accountability are strengthened (including accountability to local residents), and the appropriate mix of skills and experience to support Urban Living in its future tasks and development is made available to it on its governing body.

This should be completed within nine months.

- 16 Produce a forward strategy for the Pathfinder areas. This should include consideration of what will happen to proposed additional revenue-funded services supported by market renewal funding when this funding is no longer available, and arrangements for ongoing project maintenance in order to protect the considerable anticipated levels of Pathfinder investment.

This should be completed within 12 to 15 months.

**Mike Maunder**  
**Market Renewal Team Leader**

Email: [m-maunders@audit-commission.gov.uk](mailto:m-maunders@audit-commission.gov.uk)

**Tamsin Hartley**  
**Market Renewal Pathfinder Co-ordinator**

Email: [t-hartley@audit-commission.gov.uk](mailto:t-hartley@audit-commission.gov.uk)

# Introduction to the Birmingham Sandwell Pathfinder

## The area

- 20 Situated in the heart of the West Midlands conurbation, Birmingham Sandwell is geographically the smallest of the nine national pathfinder areas. It crosses two sub-regions, stretching through north-west Birmingham up to West Bromwich and sits within one of the Regional Development Agency's six regeneration zones. Its boundaries also incorporate three Single Regeneration Budget and two New Deal for Communities initiatives.
- 21 The Pathfinder is a densely developed area. Built mainly at the end of the nineteenth and in the early twentieth centuries, in response to the demands of rapidly expanding manufacturing and heavy engineering industries, its history is evident in its grid pattern streets, extensive areas of terraced homes (of varying quality), mixed land-use patterns and legacy of redundant brown-field sites. In some cases original communities have since been bisected by key radial routes serving Birmingham city centre, resulting in localised access problems but also in a good primary road and public transport infrastructure, including Metro and Quality Bus services.
- 22 Travel to work times influence the two distinct labour markets operating in the Pathfinder: one focused on West Bromwich, now designated as Sandwell's primary centre with its own regeneration masterplan; and the other on the diversifying and expanding regional centre. Birmingham is marketing itself as a major European city and simultaneously seeking to reinvigorate its residential offer in support of the remodelled city centre. Its aim of producing a network of distinctive, 'flourishing neighbourhoods' and local centres that promote urban living is explicitly supported by the Pathfinder's prospectus.
- 23 The Pathfinder itself is home to some 152,000 people - two-thirds of its residents living within Birmingham City Council boundaries, and one-third in Sandwell. Overall its population base has been declining, with a six per cent registered fall between 1991 and 2001 outstripping the respective 2.7 and 3.3 per cent falls in Birmingham and Sandwell. This reflects a clear regional pattern of population decentralisation, but has been mitigated by increases in household numbers, the significant growth of its well established ethnic minority communities, and the recent influx of asylum seekers and refugees (continuing the area's traditional role as a reception destination for new arrivals to this country).
- 24 The population of this Pathfinder is, consequently, particularly diverse with 65 per cent black and minority ethnic residents (compared to an England average of 13 per cent and a pathfinder average of 17 per cent); it is also younger than pathfinder and national averages. People living there experience high levels of deprivation – nine out of the ten Pathfinder wards are in the top ten per cent most deprived in the country. Those residents with the ability to do so continue to leave, to work and/or live elsewhere, and the Pathfinder therefore remains an area of inherently lower incomes. This dynamic is evidenced too in the relatively high proportion of economically inactive residents (53 per cent), and patterns of benefit dependency.

- 25 Although local schools' performance varies widely, influenced by the turnover and shifts in population, adult literacy and numeracy levels are still poor. An estimated 48 per cent of adults have no formal qualifications, compared to 29 per cent nationally, and unemployment rates are high. Pathfinder residents in Birmingham Sandwell work predominantly in the manufacturing and service sectors, but only 29 per cent of those who work do so full-time. Projects to increase skill levels and create links to new and wider job opportunities understandably feature prominently in local and sub-regional strategies and have done so for some time.
- 26 Clearly social exclusion issues are central to this Pathfinder, and so too is tackling its poor reputation. This is affected by the quality of its environment, negative perceptions of the density and condition of its housing stock, and in particular by its notoriety as an area with high levels of crime and anti-social behaviour. Positively the extent of potential brown-field sites within the area means the Pathfinder now has the opportunity to build-in greater stock diversity against a background of projected population growth for Birmingham (+1 per cent to 2021), although with continuing anticipated decline for Sandwell (-7 per cent). The Pathfinder believes, however, that complementary environmental, facilities and service improvements will be *equally* important to its chances of successfully persuading a wider range of people to come and live in these communities.

## Housing market overview

- 27 There are around 60,000 homes within the Pathfinder – predominantly workers' terraces interspersed with significant areas of post-war council housing, including some high-rise estates, and larger Victorian villas now frequently in use as houses in multiple occupation (HMOs). In line with pathfinder averages, about half these homes are owner occupied and half are rented – although there is comparatively less council housing (23 per cent) and comparatively more housing association stock (14 per cent) than usual. A recent rise in private renting and continuing right-to-buy sales have meant that the Pathfinder neighbourhoods have become increasingly mixed in tenure. Interventions planned now should see this mix move further in favour of home-ownership (to a target level of 65 per cent).
- 28 Existing residential densities are noticeably high. The housing stock is dominated by terraces (47 per cent) and flats (25 per cent), the types of housing most associated with increased risk of low demand. This mix compares with an overall level of 54 per cent terraces and flats in Birmingham, and 45 per cent in Sandwell. Overcrowding is higher, and condition is believed to be comparatively poor – across Birmingham and Sandwell some 74 per cent of council properties do not meet the decent homes standard, and six to seven per cent of private sector homes are unfit.

- 29 Nevertheless vacancy rates are relatively low, at 5.5 per cent, and falling. Although higher than average rates for Birmingham/Sandwell, this compares favourably with other pathfinders where vacancy rates have been rising, and now average 7.5 per cent (Census 1991-2001). Recorded sales of private properties also show a stabilising market, particularly for terraces, with overall turnover falling to 5.7 per cent - lower than that for Birmingham. Turnover of council homes at 11 per cent is in line with local and better than national averages, but housing association turnover at 17 per cent is more problematic. In both sectors too many tenancies break down early or are abandoned.
- 30 Albeit starting from a lower base, house prices in the Pathfinder are rising faster than in other areas and closing the gap on the regional average. In mid 2003 the average price of £85,000 easily exceeded that in other pathfinders, and was marginally higher than for Sandwell overall (the Birmingham average was £119,000). Whilst pockets of very low value homes remain, they affect only some 1000 dwellings and their impact is said to be relatively small. Housing markets to the south, particularly in Birmingham, are strong and the Pathfinder aims to capitalise on spill-over growth at its boundaries. In addition, although incomes are restricted, half of the Pathfinder's owner occupied homes are owned outright and at 70 per cent average equity levels are higher than for Birmingham/Sandwell as a whole (65 per cent), potentially giving enhanced access to capital for trading up or home improvements. Finally, whilst a constrained supply of suitable land has led to limited private sector investment in the Pathfinder to date, with the area also perceived as risky and not delivering adequate returns, developers contacted so far have been positive about involvement in a structured redevelopment approach for the future.
- 31 In housing terms then this Pathfinder presents a distinct mixture of threats and opportunities. Despite many of the common risk factors being in place, the challenge it offers is less about apparent low demand and market renewal, and more about market restructuring in order to combat entrenched patterns of selective out-migration and social exclusion, in support of a wider urban renaissance agenda.

## The partnership

- 32 The Pathfinder's Partnership Forum was appointed by the two councils and the two Local Strategic Partnerships (LSPs) in July 2002. In line with its original constitution it has seen through the development of the prospectus and finalised the bid for market renewal resources. As an interim measure the Forum is to continue meeting until new governance arrangements, headed up by a Cross-Authority Partnership, come into place at the end of 2004.
- 33 The Forum has been supported in its work by a Strategy Group, Core Working Group and various sub-groups (including Area Framework working groups). It is independently chaired, and its membership comprises: the Leaders of the two councils; six LSP representatives (two from housing associations, and one from the Police, Health, Education and the Learning and Skills Councils; a representative of the local registered social landlords (RSL) partnership; representatives of larger area-based initiatives, and a private sector representative from a national building society. Non-voting members include representatives from the Government Office for the West Midlands, the Regional Development Agency, English Partnerships, the Housing Corporation and various council officers.

- 34 The Partnership aims to take an approach to the Pathfinder's housing market that is simultaneously preventative (stabilising the neighbourhood's exhibiting relative market weakness), and proactive (employing larger-scale catalytic projects to harness the growth potential of its strategic location). It has adopted the strap-line of 'Urban Living' to identify its work and objectives to others, and aims to build upon the two councils' experience of delivering major regeneration schemes.
- 35 Every pathfinder has been tasked with determining the health and requirements of their housing market, before setting out their intentions in their market renewal prospectus. This report provides an assessment of the Birmingham Sandwell approach, rationale and proposals against the Audit Commission's scrutiny framework for market renewal pathfinders. It is acknowledged that market renewal is a complex process and that this assessment reflects the Pathfinder's progress at a particular point in time. The key consideration for scrutiny remains, however, whether or not the actions being proposed are likely to lead to the creation of a healthy housing market that will help to support sustainable communities.

## Analysis of the diagnosis of the current position

### Information base

- 36 A thorough analysis of the current state of the housing market and the context within which it operates is an essential foundation for developing market renewal strategies. It provides a starting point for understanding the drivers of decline and recovery, and establishes a baseline against which future change and progress can be measured.
- 37 The Birmingham Sandwell Pathfinder has assembled a large amount of information, which it has brought together in its core prospectus and financial plan. Four area frameworks (AFs), which consider project opportunities by sub-area, and a suite of commissioned reports have helped to inform their development.
- 38 Some of the reports commissioned have been on specific aspects of delivery and implementation, including design guidelines, involving institutional funders, community consultation and regeneration vehicles. Their contribution is considered later in this report. In detailing housing market conditions, however, four particular reports have been referred to: a housing needs study of the Urban Living area; a study of external perceptions of the Pathfinder; research into the housing needs and aspirations of local asylum seekers and refugees (ASRs); and a market evidence base and commentary assembled by the Centre for Urban and Regional Studies at Birmingham University (CURS). These reports and the quality and coverage of the Pathfinder's data baseline are considered here.

- 39 The housing needs study is based on 3,200 household interviews. A similar study was carried out for Sandwell during the year, which provides some useful comparisons (although different presentation of some data hinders this at times). No comparable data is available for Birmingham. The West Midlands Regional Housing Board is hoping to agree a common housing needs methodology with local authorities soon, permitting results to be aggregated up to sub-regional and regional figures. The Pathfinder will need to take account of this in updating its needs information, with its council partners, for the future.
- 40 Key findings from the 2003 housing needs study include fairly low overall levels of dissatisfaction with Pathfinder neighbourhoods (17 per cent), and Pathfinder homes (14 per cent). RSL tenants and private renters are least satisfied, and across all tenures the commonest cause of housing dissatisfaction is disrepair. One third of interviewees said they expected grant assistance from the council to help them pay for works to their homes – not surprising for an area that has experienced so many housing renewal initiatives in its recent past.
- 41 Some 71 per cent of residents questioned had lived at the same address for over five years, and 11 per cent for less than one year. This does not support assertions made elsewhere about unstable Pathfinder markets with a lot of interim movement. People had come to the Pathfinder mainly for a larger home (15 per cent), to set up their own home (14 per cent), or to be near family and friends (six per cent). Loyalty levels to the area are, however, strikingly low. In total some ten per cent of local residents, equating to some 6,600 households, say that they expect to move in the next three years (this compares to six per cent in Sandwell). A clear majority (68 per cent) do not want to stay in the Pathfinder area, and even fewer of the 2,900 new local households likely to emerge in that period plan to stay either (81 per cent). This would suggest that, without specific intervention, patterns of population decentralisation to meet aspirations are set to continue, and possibly even to accelerate.
- 42 Both existing and emerging households planning to leave cite similar reasons – to find a larger home and/or a better area (25 per cent of existing households planning to leave the area), and to escape crime and fear of crime (seven per cent). This study shows a continuing strong demand for social housing, and while many potential movers want a terraced house - readily available within the Pathfinder - just as many want a semi-detached home (21 per cent of the current stock, compared with a Birmingham/ Sandwell average of 37 per cent).
- 43 Using 30 per cent of net annual income to calculate affordability, this study estimates that ten per cent of existing households and 60 per cent of emerging households could buy or rent on the open market; and that 90 per cent of existing and 40 per cent of emerging households require affordable housing (the same proportions as for Sandwell). The clear issue here for the Pathfinder, with its tenure diversification targets, is that the households most likely to afford home-ownership are the households that are least willing to stay. Additional research is needed on the aspirations of these younger, smaller households (75 per cent are single people and childless couples), to help determine the extent to which Pathfinder redevelopment mixes can influence their future choices, and the relative importance of housing, job and education opportunities to making them.

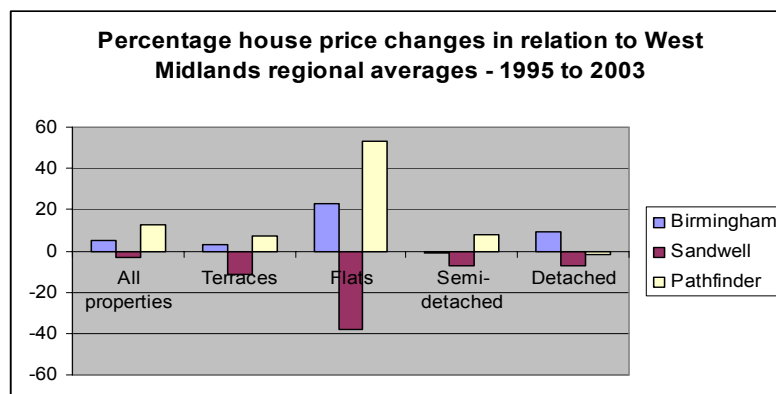
- 44 Balancing demand against likely supply, the housing needs study concludes that over the next three years there will be in the Pathfinder: a surplus of social housing available (2,600 units), a surplus of housing for home-ownership (1,500 units), and a shortfall of housing for private renting (2,900 units). However there are limitations to the methodology used that raise questions about its reliability: it is based on projections of past trends; does not make allowances for Pathfinder success (in increasing supply and retaining residents); has – as CURS point out – not looked at likely demographic changes; and in using income as the sole affordability measure may have underestimated individuals' access to resources (particularly for ethnic communities with a preference for non-traditional forms of lending).
- 45 The housing needs survey does provide the Urban Living team with a useful baseline on residents' intentions and preferences, the soft data that it would otherwise not have access to. It is not clear however how the methodology sought to ensure inclusiveness – for example via the times of day people were surveyed, or the availability of interpreters. Comparison with Census 2001 figures would suggest around ten per cent under-representation of ethnic minority communities, an over-representation of views from the 60+ year olds (16 per cent) and a notable under-representation of the under-25's (of some 37 per cent). This will need to be addressed by the Pathfinder team.
- 46 Stratification of the survey sample was done by area – with 200 interviews conducted in each identified neighbourhood. However the neighbourhoods had a wide range of population levels, and although re-weighted the data is therefore less representative in some instances than in others. It is not clear if the neighbourhoods can be aggregated up to the four AF levels – certainly no data is currently shown in this way, which would have been useful. It would also have been useful for the Pathfinder to have required additional breakdowns across the areas by age group, and by tenure (including differentiating between council and RSL tenants). This would have improved the picture of likely future flows and life-stage choices, and could still be sought by the team now. Plans for updating the baseline are not specified in the prospectus, although annual perceptions surveys are referred to in an appendix. When this is undertaken it would be helpful if causes of neighbourhood (dis)satisfaction were explored more fully, since the limited options for answers offered originally represent a wasted opportunity to gather vital information. Awareness of housing projects and available assistance should be tested too.
- 47 The external perceptions study for the Pathfinder was carried out in early 2004, too late to influence the initial programme or to have much impact on the prospectus. It drew conclusions from a series of six focus groups (with 60 people) that were conducted with the benefit of a theme guide, to allow for future replication. The views obtained were from people all living within two to three miles of the Pathfinder who were predominantly young (43 per cent under 20 years old), and white (70 per cent). Presumably as intended, these are then purely very 'local' perceptions. In repeating the exercise for the future it would be useful to see the focus groups structured more clearly to reflect the external target markets identified (described to developers as aspirational families and young professionals looking for value-for-money housing close to the city centre, and coming mainly from elsewhere in the conurbation). The target area chosen is useful, however, in that it implicitly acknowledges the tendency for new developments to attract a significant proportion of their purchasers from nearby neighbourhoods.

- 48 Overall a very negative view of the Pathfinder emerged from these focus groups. People were most concerned about the levels of crime there (although interestingly believing the safest areas to be most dangerous, and vice versa); about the state of the environment (described as run-down and dirty); the quality of services and facilities (with refuse collection and shopping highlighted); about what was seen as emerging ethnic minority 'ghettos' (which the councils were expected to diversify); and the condition of the housing stock.
- 49 More specifically in housing terms the density and small size of Pathfinder homes was criticised, as was the high proportion of social housing. Overall, although accepted to be offering some cheap accommodation, the poor state of repair and quality of the homes (including the Victorian stock which was seen as potentially desirable) deterred people from wanting to invest in it, except for letting.
- 50 These views were not moderated by results from similar focus groups with existing residents (who tend to have a more positive view of their own areas), and participants did acknowledge the role of negative media coverage in shaping their views. Nevertheless the key messages are important: that people living near the Pathfinder appreciate its good transport links and would be prepared to work but not to live there; and that the strength of the area's considerable negative reputation is influenced more by non-housing than by housing-related factors. Effective marketing and media management will clearly, as the Pathfinder acknowledges, be vital to its overall strategy, as will the sequencing of complementary investment.
- 51 The concentration of asylum seekers and refugees (ASRs) is a particular feature of the Birmingham Sandwell Pathfinder, with specific market impacts. Acknowledging this the Pathfinder commissioned a good piece of focused research into their housing needs and aspirations, which was based on a survey of 500 households and 21 in-depth interviews. The study confirmed the disproportionate asylum seeker placement locally (in March 2003 there were 9,200 asylum seekers living in 2,850 properties), and found an estimated net five per cent inflow of refugees to the area (attracted principally by similar existing communities).
- 52 The asylum seeker 'market' was unsurprisingly found to be concentrated in the private rented sector (90 per cent of placements), and to comprise mostly single males but also 40 per cent families (with others having families at home who may join them in the future). This market was also described as volatile: only two of the interviewees had stayed in a property for over 12 months, and 39 per cent of all respondents expected to stay in the area for less than a year, with a further 23 per cent expecting to stay for one to two years only. Just 20 per cent of those given the right to remain now had a job (81 per cent in unskilled employment), and overall ASR job prospects were rated as poor on the basis of their lack of qualifications or proof of qualifications. The resulting constrained income and housing consequences of this assessment were highlighted, particularly in relation to the continuing need for affordable and supported housing options. Overall the report concluded that it is likely there will be 'a growing but not particularly stable population of refugees moving frequently within the housing market renewal area over the next two years'.

- 53 However the study found also that 35 per cent of ASRs had no particular reason for staying in the Pathfinder – they were content to move to any area that met their core criteria (i.e. multi-cultural, safe and well connected to employment centres, with appropriate housing). If the high-level policy goal were to be to spread ASR numbers more widely, in the interests of social cohesion, then this could it seems be positively planned for but is likely also to require intervention in the temporary, affordable housing supply within the Pathfinder that makes it easier for people with limited resources, who are frequently misinformed about their options, to stay rather than to go. These are important policy considerations, but they are not clearly reflected in the prospectus which makes relatively little reference to this study or to the threats/opportunities of the ASR ‘market’, other than to say that further research on ethnic minority housing aspirations is required.
- 54 Additionally there were various practical recommendations made by this study, designed principally to stabilise the existing Pathfinder market by catering better for current ASR needs, which should now be more explicitly addressed. These include working with partners to provide better quality information on housing choices, introducing an ASR bond scheme, assessing the relative success of ASR supported housing initiatives, and establishing the intentions of both National Asylum Seeker Service and their contractor landlords’ for the future. At a strategic level it will also be important to track ASRs to determine their housing pathways, in particular how many of their intentions translate into actual moves away, and to estimate more specifically the likely future demand from other potential groups – notably with the prospect of enhanced ‘economic migration’ following EU enlargement.
- 55 Since submitting its prospectus the Urban Living team has produced additional information on a possible predicted fall in local asylum seeker numbers of up to 62 per cent – although the basis of this forecast is not provided. It has also explained how it is intended to use the single strand contract for AS placement, which is to be given to Birmingham City Council in 2005, to help avoid high asylum seeker concentrations in vulnerable Pathfinder areas, and how it expects to use its own Action Plan for the private rented sector to take CURS’ recommendations forward. This is a positive start but does not, as they recognise, affect the need for additional contextual analysis of future needs and likely demand.
- 56 The bulk of the housing market data for the Birmingham Sandwell Pathfinder is drawn together in the CURS evidence base. This is grouped and presented in four domains:
- ◆ housing market weakness – which considers tenure, type, price, equity, vacancy, turnover, completion rates, existing planning permissions and the capacity of the available land supply;
  - ◆ social exclusion – which considers deprivation scores, incomes, economic activity, long-term illness, overcrowding and educational attainment;
  - ◆ social cohesion – which considers migration (major net flows), population change and projections (including ethnicity and family forming age groups), current ASR numbers, and crime incidence; and
  - ◆ environment/amenities/accessibility – with data focusing on the quality of public transport services.

- 57 The Pathfinder is also initially assessed against some typical (but not automatic) characteristics of markets *at risk* of suffering from low demand in the future. CURS state that the set of characteristics used is limited and intended for national and regional rather than local studies, and so advise that it should be used as contextual information only. The results characterise 91 per cent of Pathfinder homes, 66 per cent of Sandwell and 45 per cent Birmingham homes, as being at risk of market failure.
- 58 The data collated by CURS provides the Pathfinder with a good quality baseline. Sources used are reliable and appropriate, and all the assertions made are properly evidenced. This is important because it ensures cross-checks can be made, and will increase partners' and investors' confidence in Pathfinder proposals. Around 70 per cent of the data comes from national sources (with a primary reliance on census and the land registry), and the rest from local sources. All of the data is capable of being readily updated and tracked for the future.
- 59 Comparisons with Pathfinder figures are consistently made at the Birmingham/Sandwell local authority and AF levels (in 95 per cent and 85 per cent of instances respectively), with little reference to regional averages in recognition of the wide range of markets found in the West Midlands. Appropriate comparison is important because it helps to establish the Pathfinder's relative market position, and indicates when features are clearly atypical. Since it is also not a 'typical' pathfinder, Urban Living may wish to use ONS area classifications and/or CIPFA family groupings to find other similar markets it can benchmark itself against too. In three-quarters of the cases where it is possible to have done so, comparisons over time have also been made by CURS, with reference particularly to change between the 1991 and 2001 census results. Establishing trends is an important element of a good information base because it feeds directly into analysis of market drivers. It also indicates if situations are chronic or dynamic, helping to highlight priorities for intervention.
- 60 CURS have provided the Pathfinder with data down to census output-areas, for further manipulation. GIS has also been used extensively, and many maps are reproduced in the information base. These are interesting, but do not show how factors combine, and would be more informative if accompanied consistently by summary data tables. No further manipulation of data is carried out – there is no use of scenario modelling, and CURS were not asked to carry out additional cluster analysis to categorise neighbourhoods in terms of their housing market characteristics. This means that the information base lacks a focus on (sub)market housing functions, and does not go on to examine likely neighbourhood trajectories. This is an important task that the Urban Living team has separately tried to address later (see paragraph 129).

- 61 There are also some gaps in its research and information database that if filled will help the Pathfinder to improve its market understanding further. The collection of comparable and detailed stock condition data, important for its influence on retention and demolition decisions, has already been prioritised, and a standardised environmental audit to help flesh out the fourth domain (see above) is under consideration. Other base data required includes: trends in household income and a more detailed look at housing affordability levels locally; detailed migration and travel-to-work information; socio-economic groupings and commissioned population and household projections; trends in vacancy patterns (including by tenure); ground conditions and remediation costs; a full housing supply context; local rental values; and additional neighbourhood satisfaction data from community plan and neighbourhood renewal fund surveys.
- 62 In addition to this two more substantial areas of weakness need to be addressed. There is currently no real connection made with Supporting People and determining the likely needs of more vulnerable members of the community; and the anticipated housing needs and preferences of Urban Living's target market segments (such as second stage city-livers) need to be substantiated too. There is also insufficient information on the social housing sector which, providing homes for two in five households locally, is a key part of the Pathfinder market. Detailed data on stock investment requirements, right-to-buy patterns, lettings to applications ratios, and reasons for tenancy refusals/terminations is readily available and should have been examined. Overall viability assessments, as part of stock option appraisals and business plans, have to inform Urban Living's future thinking. As it stands this relationship is not adequately explored or established.
- 63 To date much of the analysis of the information base has focused on detailing Urban Living's comparative position in relation to the typical features and dynamics of 'classic' low demand markets. This shows that traditional low demand factors are not particularly prominent for Birmingham Sandwell: there has been population loss over the last decade, and substantial social renting is a longstanding feature of the market; but prices are rising at higher than average rates (see below), the population profile is youthful, turnover is falling across the tenures, and vacancy at 5.5 per cent is not problematic (CURS cite 15 per cent vacancy as the level associated with rapid decline). The notable diversity of the Pathfinder area is also longstanding and has generated additional demand, and while the private rented sector has increased recently this seems to have been a positive market response to demand pressures rather than an absorption of surplus and therefore unsaleable property. (At ten per cent of the stock now the Pathfinder's private rented sector matches the national average, although there are concentrations of over 20 per cent within the Urban Living area)



- 64 In its earlier research on this area in 2001 CURS describe its function as providing essentially interim housing for inward movers, 'commensurable with what they can afford to pay at this stage of their employment or housing career', with a therefore inevitable and steady through-movement of population around a more stable core of poorer families and older residents who remain. In its research for the Pathfinder CURS conclude that the data does not support a picture of failing markets, 'but rather of weak markets and lower value and lower income housing' with some features which mean that, whilst it is functioning now, it could be more at risk of tipping into low demand if the current supply/demand balance is disrupted (for example by an influx of formerly privately rented properties coming onto the open market). However, because neither the market trajectory of the Pathfinder and its neighbourhoods, or the likelihood of market imbalance occurring is clearly established, the impact and relevance of this analysis is undermined.
- 65 It will be useful now for the Pathfinder to move on and focus on its particular market dynamics more specifically in relation to the interventions required for restructuring, including considering the relative role for the public and private sectors. It should also, as part of this process, evaluate the lessons to be learned from a long history of repeat public investment here in much more detail. Analysis is currently presented at the 'principle' level only – for example advocacy of demand rather than condition-led approaches for the future that are also holistic, and cost-effective. Following up on the market outcomes of local investment (by checking for example the resale property resale prices in Brindley Village and Cape Hill NRA) is equally important, because it is this sort of practical information that will be needed to inform Pathfinder policy and commissioning decisions.
- 66 In conclusion, the Pathfinder has constructed an extensive research and information base that provides it with a generally solid baseline. Overall the quality of the hard data is currently better than that of the soft data, and the Pathfinder will need to address some methodological issues and specific gaps when it updates its position. Nevertheless, on balance, this aspect of Urban Living's submission has currently more strengths than areas for improvement.

## Impact on adjacent areas

- 67 When building an information base, an important component for any pathfinder is an assessment of the potential impact of its programme. This should include consideration of impacts on and from other areas, and of anticipated impacts within the pathfinder boundaries themselves.
- 68 The Birmingham Sandwell Pathfinder has tried to consider adjacency by using emerging work for ODPM on measuring deadweight, leakage and displacement. This was an ambitious but somewhat narrow attempt to assess adjacency issues, and the results to date are not particularly meaningful or useful. The Pathfinder acknowledges that it will need to consider adjacency further over the next two years, and refine its approach.
- 69 As it stands the Pathfinder has produced some figures on deadweight, but only in relation to newbuild units and projection of a likely pipeline that would be built-out in the area without intervention. Assessment of deadweight with regard to housing demolitions, refurbishment (by councils, RSLs and homeowners with/without the aid of loans or grants), or likely service/environmental improvements has not been attempted. This is perhaps inevitable given the current lack of detail in the prospectus on programme alignment with partners, and potential complementary funding.
- 70 The assessment of leakage suffers from a lack of clarity as to who the target group is, and therefore how tightly benefits have been ring-fenced to them. The focus is again on newbuild units, and the basis for the assumptions made is a survey of three recent, relatively small developments in the Pathfinder which found a higher- income group of residents who had moved in from a range of destinations. Technically if the target group were to be local residents, then on this basis leakage of 60-70 per cent of benefit would be forecast; if it were to be aspirational incomers then leakage would be 30-40 per cent. The prospectus suggests that a mixture of these groups is intended to benefit but until it is clearer about relative proportions (by intervention type), leakage calculations will remain academic.
- 71 At a regional level displacement of housing demand, from the shires to urban areas, is expected as a result of changes to RPG. However without actively ensuring additional supply, the Urban Living Pathfinder will not be able to compete with other areas for this refocused demand. The assertion that influencing displacement at this level is not part of the Pathfinder's remit is therefore untrue. There is also some contradictory discussion of local displacement. CURS highlighted the tendency for new developments to attract buyers from very local areas, including from older terraces and council estates. Aspirations reported in the housing needs study for larger and semi-detached homes, as well as the findings of the newbuild survey, support this eventuality. However in assessing local displacement the Pathfinder anticipates capturing demand from existing residents trading-up on the one hand, yet also states that displacement is unlikely at the Pathfinder level on the other.

- 72 In fact it is possible that the Birmingham Sandwell could be particularly sensitive to adjacency issues. Factors that would indicate this include: the low loyalty levels to the area; its negative reputation with people living nearby; the competing supply of aspirational housing to come on-stream both on the periphery of the Pathfinder, and in popular commuting areas that attract significant out-migration from Birmingham and Sandwell; the time-lag built into the changing policy direction of RPG through committed units and staggered rises in annualised completion rates; uncertainties about similar future replacement demand (including from ASRs) to fill vacancies; and a step-change in internal supply that does not come into play until 2009 onwards.
- 73 This would indicate that Urban Living is likely to face a range of specific additional risks. These include the possibility that increasing selective out-migration will mean that, by the time new housing options are available, relatively few local residents will have the ability to access them, and the integration of new and existing communities will be undermined. Additionally while Sandwell is seen as a potentially significant source of 'latent demand' (for keenly-priced new homes closer to the city centre) that the Pathfinder can tap, it is also an area with long-term population decline and an 'underlying weakness' in its local economy. Urban Living anticipates that around 30 per cent of buyers for its new aspirational homes will come from other parts of Birmingham and Sandwell. In sub-regional terms the danger is that Pathfinder activity could displace market weakness to other parts of Sandwell. Conversely if envisaged work with other Black Country councils to reinvigorate these areas is successful, then the potential anticipated market for Urban Living homes will be reduced. This needs to be an early consideration for marketing strategies.
- 74 To date Urban Living has not succeeded in articulating clearly the full extent of the adjacency impacts it is anticipating, the thinking and evidence this is based upon, or the nature of the systems it will be putting in place to assess and pre-empt them. In detailing its future approach it will need to consider and incorporate:
- ◆ clear information on partner and developer priorities;
  - ◆ comprehensive data on the numbers of committed and anticipated housing units in, and Planning policies of, other neighbouring authorities;
  - ◆ more detailed information on migration flows and travel-to-work patterns, and trends;
  - ◆ research on the housing preferences of its anticipated target 'customer' groupings; and
  - ◆ triggers for action determined in relation to its definition of sustainability and overall targets.
- 75 It should also look to select similar 'control' areas to monitor, in order to help determine the real impact of its interventions and, for example, the spill-over effects on adjacent neighbourhoods of new developments or strong neighbouring markets. Considering information in this way will help the Pathfinder determine its future (re)commissioning priorities in a rising market, and to secure maximum benefit for its investment.

- 76 At the regional level the prospectus talks about addressing adjacency issues through working in partnership 'to eradicate any strategic threats to the Pathfinder.' Such an approach would be supported by the RPG advice to councils on the preferential release of brown-field development land that does not undermine urban renaissance initiatives in neighbouring areas. It is not clear, however, just how or whether this objective has been met – what agreements Pathfinder discussions with other councils, or the Regional Housing and Planning Boards, have produced. This is important and needs to be substantiated and followed through. It would also be useful to understand what, if any, (sub)regional monitoring of land-use/markets is to take place, for example through the data observatory or through local authority groupings, that Urban Living may be able to influence and utilise. Finally it is to be expected that the Pathfinder will also make sure that it has a clear assessment of the anticipated impact on Urban Living targets of both the major growth planned for Milton Keynes (with 30 per cent of new homes set to be affordable); and the Regional Housing Board's twin initiatives for Birmingham/Solihull and the Black Country which are now being assessed for potential major intervention and investment on the basis of low demand.
- 77 Urban Living's risk register does include reference to the possibility of non-specific internal and external adjacency impacts, but details no mitigating actions except for monitoring. The Pathfinder will need to be more proactive than this, developing a predictive basis for market behaviour (which it can then refine through research and evaluation). Urban Living is currently working with CURS to develop its future monitoring systems, and as part of this is planning to incorporate a good practice review of existing 'early warning' systems used by other councils to highlight changing demand. This is sensible and should help the Pathfinder to move away from its current overview, which equates adjacency with measuring net impacts and value for money, to a more pragmatic approach that can inform the development of packages which will help it manage market dynamics, so that its desired final mixes can be achieved. As it stands, however, this aspect of the Urban Living prospectus has more areas for improvement than strengths.

## Stakeholder involvement

- 78 It is important that pathfinders engage the full range of stakeholders in developing their strategies. This includes those who have a direct or indirect influence on the housing market and those affected by its plans. Involving stakeholders helps ensure problems and issues are properly understood, and that resulting proposals are supported at the outset and through implementation.
- 79 The two local councils are currently the major stakeholders in the Birmingham Sandwell Pathfinder, in that they are the only other organisations to have been involved at all levels, including forming with the Urban Living Team the Pathfinder's Core Working Group. They will also be taking the lead on delivering the bulk of the proposed programme, and will be the signatories on the funding agreement with ODPM.

- 80 Government Office for the West Midlands and key regeneration funding agencies have been involved with the Pathfinder through their participation at Partnership Forum meetings, and their membership of the Strategy Sub-group which has helped develop Pathfinder objectives and targets, and appraise risk and options for delivery. Challenge workshops and two well-attended Forum Plus events allowed these stakeholders and council staff to consider the emerging profile of the Pathfinder area and comment on draft AF proposals.
- 81 In addition four themed workshops with other public service agencies were held in autumn 2003. They were designed to raise the Pathfinder's profile, map current initiatives and engender ownership and support for Urban Living's aims for the area. It is positive that the stakeholders themselves took responsibility for organising these workshops, and that some resulted in specific background research and policy papers that were subsequently presented to the Partnership Forum. This aspect of the Pathfinder's preparations is currently underplayed in the prospectus, perhaps because it is not yet clearly connected through to specific complementary projects in the programme.
- 82 Representatives from two local area based initiatives (ABIs) sit on the Partnership Forum, and the Urban Living Team have made presentations on their work to others. However there has not yet been any comprehensive involvement of ABIs with the Pathfinder, and the prospectus is not clear about their collective role or contribution. Given the number of ABIs in the area, and the amount of potential investment they control, this work may have been expected to have received a higher priority than it has had to date. However the Pathfinder does acknowledge its importance, and is planning to rationalise and co-ordinate ABI approaches now through the future work of a Cross-authority Partnership (see paragraph 159). Nevertheless this remains a lost opportunity in terms of determining full complementary investment and project opportunities for the initial programme.
- 83 RSLs have been involved with the Pathfinder through their three Forum representatives. Specific work was also undertaken by local RSLs to consider the implications of the Pathfinder. This resulted in the publication of a report by the National Federation of Housing Associations on 'Working Together for Local Results' which was not provided with the prospectus, and so could not be considered. However there are RSL projects included in the programme, concentrating principally on works to their own property, but including a neighbourhood management pilot to be led by an existing RSL group.
- 84 Given the critical importance of social housing stockholdings to this area, the background of significant change and investment (through the Sandwell ALMO and proposed Birmingham community-based housing organisations) and the requirement for formal stock option determinations by July 2005, it would have been reassuring to have heard a much stronger and more specific voice from council providers. The effect of market renewal on social housing business plans, including ensuring complementary stock investment for the long-term, and the scope to rationalise stock and reconfigure services in support of the Pathfinder's neighbourhood stabilisation agenda should have been explicitly explored and reported. The prospectus is instead notably silent on these issues, and this in turn raises questions about the potential value-for-money of elements of the Pathfinder's proposals.

- 85 Aside from nominally through the two Local Strategic Partnerships, the community and voluntary sector is not currently represented on the Partnership Forum or its key sub-groups. The prospectus mentions extensive existing networks, and its outline community engagement proposals do consider how these could be used to promote Urban Living and potentially deliver some projects. In such a diverse area the importance of very local and specific faith groups to understanding neighbourhood concerns and changes, as well as winning acceptance for Urban Living ideas, is clear. The Pathfinder is supporting the sector's bid to the Government's Future-builders Fund, and if successful this may help enable more structured involvement with the Urban Living programme. It is also probable that the Pathfinder's Active Neighbourhoods initiative will lead to varying degrees of enhanced community and voluntary sector contact. However the relative lack of involvement to date means that the sector has not had a chance to influence the early programme. Since this pathfinder is particularly concerned to sustain fragile, excluded communities and fluid markets, there will need to be more specific consideration of the impact that community finance, LET schemes and other grass-root projects may play in (re)building social capital here.
- 86 It is vital that pathfinders balance the views of public sector agencies and landlords with a more commercial, market point of view. A representative of a national lending institution sits on the Partnership Forum, and others have attended stakeholder events. In addition Urban Living have commissioned specific work from consultants on how best to involve institutional funders in resourcing their future programmes, although it is not clear how or if this is to be followed through.
- 87 Developers have been approached too, both prior to the Pathfinder's establishment in 2002, and subsequently in January 2004. These two 'Development Forum' meetings have been supplemented recently by a series of one to one interviews. They have provided the Urban Living Team with practical views and suggestions – for example on viable site sizes and perceived development barriers – some of which have been taken forward in the AFs and prospectus. It would have been interesting and useful if developers' initial recommendation to establish preferred partner developers early, so that they could influence the evolution of proposals, had been followed through too.
- 88 It would also have been useful to have heard the views of local estate agents (on what is selling and to whom), and particularly the views of landlords. The changing nature and growth of the private rented sector is acknowledged by Urban Living to be an important market factor and a priority for further research. The Pathfinder needs to know how landlords will choose to (dis)invest in the area in the short to medium term, so that it can ensure its private rented sector action plan is fit for purpose and can control/ incentivise the sector effectively. It is reasonable to expect that early work on this would have been commissioned as part of the preparation of the prospectus, in addition to the council consultation that has taken place with landlord groups on the elements of the proposed plan.

- 89 Urban Living wants to take a market-oriented approach to restructuring the Pathfinder, in acknowledgement of the number of opportunity sites there are in the area and the background of potential increased demand from Birmingham. It therefore intends to use public sector finance as tapered pump-priming to lever in private investment. It also understands that to be successful in this approach it is likely to need to alter the balance of its membership, ensuring appropriate market and technical expertise is represented, and this view should be explicitly incorporated now into the ongoing review of its future governance arrangements.
- 90 Overall the Pathfinder believes it has developed a 'broad consensus' with the stakeholders it has consulted on how to take its prospectus forward. It has also obtained formal letters of in-principle support from both councils and local strategic partnerships, the Housing Corporation and English Partnerships. Inevitably it will not be easy for Urban Living, operating in an area and sub-region where so many regeneration initiatives compete for attention, and at a time of major devolution of council services, to gain and maintain priority with its partners. It knows that while it currently has high level strategic backing, it needs to secure the commitment of the middle managers too, and that they will be a key target audience for its future communications strategy. This strategy is still evolving but will have to establish sophisticated image/media management, and employ mechanisms such as web-enabled forums to balance the need for wide access to the Pathfinder (for transparency and ownership) with tight core membership (for effective decision making). On balance, however, stakeholder involvement is an aspect of Urban Living's submission where strengths currently outweigh the areas for further development.

## Scrutinising the drivers that have led to the current position

- 91 Pathfinders need to demonstrate an understanding of the drivers that have led to housing market weakness, and those likely to drive recovery - this includes understanding the level at which different drivers operate, and their relative importance. It is only through analysis and interpretation of their information database that pathfinders can understand local market dynamics, and establish a clear rationale and priorities for intervention.

## Drivers

- 92 The Pathfinder has described its housing market as not failed, but at risk of failure with a cycle of decline emerging. Functioning markets only tip into becoming problematic when there is excess supply over demand locally, and people faced with choice can bypass the housing and neighbourhoods seen as less desirable. Market renewal pathfinders need therefore to show a clear understanding of current and likely sources of demand for their existing and anticipated 'housing offers' (including assessing competing alternatives). Urban Living has extensive data on its area, incorporating a raft of trend figures based mainly on comparing 1991 and 2001 census baselines. However it has not been helped in its market analysis by its decision not to take this forward, as yet, into determining sub-market typologies or likely trajectories. This work is needed not least in order to provide a credible basis for the status quo scenarios required for rigorous option appraisal and added-value assessments.

- 93 The Urban Living prospectus concentrates on describing five key, high-level factors that it says are driving 'market decline' in the Pathfinder. These are :
- ◆ economic change - the continuing loss of manufacturing jobs and emerging opportunities in new areas;
  - ◆ demographic change – from self-selecting out-migration, and increases in ethnic minority/ASR residents who have fewer skills and lower incomes;
  - ◆ rising housing aspirations – increased preference for owner occupation, and a desire for more space and growing emphasis on environmental quality;
  - ◆ inadequate public services – with poor service performance, including around environmental maintenance; and
  - ◆ an inability to restructure the housing provision – the lack of a new supply, competitive peripheral housing opportunities, and obsolescence of the existing stock.
- 94 Although not specified in the prospectus, the housing market impact of the first and second factors cited is essentially to do with changes in incomes and therefore purchasing power and choice. Lower incomes do not necessarily lead to market failure, but to market change – typically to lower prices and/or tenure shifts. It is true that the local economy has suffered from the decline in manufacturing in the past, and is still more dependent than average on manufacturing for its jobs today (particularly in Sandwell). However what is not clear is the extent to which decline may or may not now have worked its way through the system. Supporting documents have mixed messages, with some talk of recent upturns and hopes for increases in high-tech manufacturing now.
- 95 The Pathfinder's position close to Birmingham city centre is seen as a strength because of the opportunity offered to benefit from economic growth. Employment forecasts provided are, however, mainly sub-regional and not produced on a comparable basis. It is not therefore possible to disaggregate potential Birmingham and Sandwell, let alone Pathfinder, impacts specifically. Wage (and purchasing) consequences of anticipated employment restructuring are not considered, and neither is the specific relationship between improved household income and flight from the Pathfinder areas and/or social housing. There is however mention of the failure of past city centre-driven growth to percolate down to the Pathfinder, of the mismatch between local qualification/skill levels and predicted job opportunities, and acknowledgement that LSC education and training responses will take time to bite.
- 96 In order for Urban Living to establish a case for its first two chosen factors as live drivers of its housing market, it will have to be clearer about just what specific job losses and employment changes are predicted locally, and the nature/timescale of any benefits anticipated. It will need then to assess the income consequences for the area and ensure pathways are in place to capture changing demand if it is to meet its key goal of population retention. (Utilising the 2001 Special Workplace Statistics from ONS which are available now, to output area level, will be useful in determining its economic and employment baseline).

- 97 Comparing current average incomes to average house prices in the Pathfinder shows that, without having additional capital available to invest, most residents would be unable to buy a house there today unless they were part of a couple where both were working. Notably fast local house price rises are not then, it would seem, being driven by increasing local affluence. It will be important for the Pathfinder to determine what other factors are involved here. It may be that the private rented sector is particularly influential, responding not only to the ASR market stimulated by NASS contracts, but also to a relatively poorer population's needs, perceived investment opportunities in cheaper stock (funded through buy-to-let), and perhaps some speculative investment in relation to the Pathfinder itself.
- 98 Additionally, the extent to which the increase in BME residents (+39 per cent between 1991 and 2001) may be leading to price premiums for certain areas, because of faith/family ties and access to supplementary/alternative forms of financing, should be considered. Potential knock-on effects in a relatively young and minority white population, set against likely generational changes in housing preferences, could then be explored. Clarifying information on projected future population and household composition for the Pathfinder will be important here, highlighting anticipated pressure points as well as indicating potential additional supply, linked to life-stages. Urban Living is intending to commission early research on BME housing needs and on the extent, composition and condition of the private rented sector. It will need to ensure that predicted market consequences of these findings are highlighted, and that this focus is built into the research briefs.
- 99 Rising housing aspirations is a driver that could be said to apply across all markets. There is no evidence provided as to why it is of particular consequence to the Birmingham Sandwell Pathfinder. The lack of any real detail on the specifics of dissatisfaction/aspiration locally (other than in the broadest terms of wanting a bigger house and better area) highlights the limitations in the Pathfinder's existing soft data. If Urban Living is to be successful in manipulating motivations to help it meet its objectives, it will certainly have to disaggregate them more clearly and determine relative priority. The Pathfinder will also need to know the limits of its influence, so that it can establish a baseline estimate of natural turnover to measure its impact against.
- 100 As it stands assertions about changing housing aspirations are currently only generalities to be borne in mind for re-provisioning. Perhaps predictably, developers consulted anticipate a preference for semi-detached homes with off-street parking. However the recent demand from local people for this sort of housing in Smethwick seems to indicate that a potential market driver may indeed be a pent-up desire for conventional new properties (with consequent emptying out of older homes). How strong this preference is should be tested further, but the later assertion that much of the existing stock is obsolete is unproven. Whilst there is no Pathfinder-wide conditions data, there is nothing that would seem to indicate that the stock is not generally fit for use, and relatively low vacancy rates demonstrate it is certainly not unsaleable. Moreover the housing needs survey shows that terraced stock is still desired by local people. The case for extensive obsolescence as a current driver therefore remains to be established, although it is potentially clearly a factor for the longer-term, and may become increasingly significant as the stock is diversified. The repeated criticisms heard now of the density as well as the small size of Pathfinder homes are, however, important factors for Urban Living to substantiate before site development briefs are agreed with Planners.

- 101 Inadequate public services are separated out by the prospectus as a further driver of market decline. It specifies environmental maintenance, policing, education, health, and training and skills services for attention. Some performance indicators are given with reference to policing and education, but overall assertions of relatively poor service performance are not subsequently substantiated.
- 102 Crime levels are however consistently cited throughout the evidence basis and supporting documents as a key cause for concern. The data provided actually shows an overall fall in crime (-10 per cent), that is not reflected in public perceptions of the situation. This is perhaps because relatively high-profile violent crime is on the increase, but only in the Sandwell AFs. The Birmingham AFs, which suffer from a particularly difficult reputation for violent crime, have in fact bucked the overall city trend to register a small decrease. Nevertheless incidence rates for crime remain relatively high for the Pathfinder, with violent crime rates around two thirds higher than in Birmingham/Sandwell overall, and so it is more than *perceptions* that Urban Living will need to address. It will also have to establish clearly just which crime(s), and which levels of crime, actually motivate people sufficiently to make them move home. Without this information the link to market volatility will remain probable but unproven, and the case for prioritisation for Police resources will be harder to make.
- 103 The prospectus describes the Pathfinder's overall environmental quality as variable, but there is no comparative baseline provided that substantiates this. Although it is not clear what the definition covers, it has been assumed both environmental maintenance and the general character of the built environment are included. Urban Living is currently considering incorporating an environmental audit into its future research, and two of the AFs have made some attempt to differentiate environmental quality. The Soho/Handsworth AF establishes a local correlation between higher quality and higher value housing that it would be useful to substantiate and examine further. Birmingham's Neighbourhood Renewal Strategy however queries the long-term benefits gained from past project-funded improvements to environmental maintenance, saying that behaviour has generally only been influenced in the short-term or displaced elsewhere. The Pathfinder will need to decide what eligible environmental enhancements will actually be worthwhile for it to consider funding against both their likely market impact, and their longevity/sustainability. The Pathfinder area has a long history of environmental improvement initiatives, so that evaluation of past failures and successes here should be straightforward.
- 104 Amongst the secondary schools included within Pathfinder boundaries there are three that are selective, and two that are independent. Given this variety, and the diverse population profile, it is unsurprising that indicators are mixed – in overall terms primary schools perform below average, but secondary schools above average. This mixture of schools provides the Pathfinder with an ideal opportunity to substantiate locally the extent of often quoted education impacts on house prices. This information has not as yet been collated so that currently, as with environmental maintenance, the status of education as a market driver is assumed rather than established.

- 105 In the case of health however, it is unlikely that the quality of service provision will be proved to have a real influence on housing markets. Despite the traditional association with housing because of the additional health costs generated by poor house conditions, the main link here is probably the secondary impacts from any local investment and job opportunities. Regeneration implications of health investment are already considered with the two councils through the 2010 project. Within the prospectus there is no substantive reason given for considering health services as a specific driver of market decline, and links to social care and Supporting People services which are not examined are actually likely to be more important. There is also little detail on the specific market impact of training and skills programmes and, while transport networks are both praised and criticised and a major focus of AF proposals too, the important housing impacts of journey times, congestion and pollution are not examined either.
- 106 It is positive that the Pathfinder recognises the impact that wider non-housing factors have on markets. Urban Living is very clear that improving public services will be a 'pre-requisite' for its success, and emphasises the responsibilities of mainstream providers and the importance of 'bending' their budgets. What is less clear however is that the services it has highlighted are the ones with most influence over housing markets, and that its energies and funding will therefore be directed to best effect. More work is needed here.
- 107 With the last factor selected (the inability to restructure provision), the Pathfinder begins to consider underlying supply and demand balances. The lack of a new supply of homes has been affected by inherent difficulties with potential sites – fragmented ownerships, remediation costs and access problems. If the Pathfinder can resolve these issues, and the conflicting priorities for land-use illustrated by the active lobbying for protection of land for employment in Birmingham, then developers are interested in taking the sites forward.
- 108 The housing supply and demand figures for the Pathfinder area over the next three years need refining (see paragraph 60), but currently show excess supply of both social rented and owner occupied housing in the short-term. At a wider level RPG predicts that both the Black Country and Birmingham will have excess demand until 2011, and Birmingham beyond this to 2021. In the medium term (to 2010) Birmingham is projected to grow by some 24,000 people and 15,000 households; and Sandwell to contract by 5,000 people but grow by 5,000 households.
- 109 The Pathfinder's potential supply of sites can help meet growth demands, and the extent of reliance in both councils' Unitary Development Plans on windfall sites gives some inbuilt room for manoeuvre. The prospectus fails to highlight however the fundamental importance of site prioritisation and land release strategies to eventual success. The explicit (re)directing of future growth is the single most important tool potentially available to this Pathfinder, both within the Urban Living area, but more importantly as part of a wider strategy for Birmingham. Developers and investors will look for this sort of reassurance on likely sales, and the Pathfinder is far from being the only local or regional competitor for the projected increased demand, even once the RPG changes that favour urban provision work their way through in 2011.

- 110 Birmingham's annualised supply target for additional homes is 3500 until 2006, and then 4200 to 2021, inclusive of replacement for 1200 annual demolitions. Sandwell's target is 1460, then 1365, inclusive of replacements for 900 and then 975 annual demolitions. There is currently four to five years of supply approved against these targets. The bulk of Urban Living's 12,000 new homes is not due to start coming on-stream until 2009, with a marked increase in demolitions from 2006. This means that the Pathfinder's targets should theoretically be encompassed within overall local development allocations, although without wider supply information and in the absence of formal confirmation from the two councils this conclusion can not yet be substantiated. In total the envisaged Pathfinder supply would account for 21 per cent of the Birmingham/Sandwell new-build allocation for 2004-19, and 24 per cent of the assumed demolitions.
- 111 The 2002 supply snapshot in the prospectus shows a pre-existing pipeline of 832 dwellings in the Pathfinder area (although this includes lapsed permissions) which should be built-out earlier. An additional capacity for 1900 new dwellings, on the five per cent of allocated development land and on vacant/derelict sites, is also identified. This shows that the Pathfinder will be reliant mainly on clearing housing and land-use change to meet its 12,000 target – both complex processes with lengthy lead-in times that are also prone to delays. Allowances for this fact are said to have been built-in from the start to both programme and output phasing.
- 112 Pathfinders need to look outside their immediate boundaries to establish the nature of alternative supplies of new homes likely to become available over their project lifetime. This work does not form part of the prospectus, but Urban Living have started to collect the data now. At the moment it is partial and covers sites within a one mile radius only. This has found a *committed* supply of 9,000 units, which does not include the 3,000 units recently approved for development in Eastside in Birmingham over the next 10 to 15 years (aimed primarily at the student market, which is currently a component of the Pathfinder's private rented sector demand). City centre living is also expected to double to 10,000 homes by 2010, and two other housing market areas (including communities with similar profiles to the Pathfinder in the east) are being prioritised by Birmingham City Council for investment and market restructuring too. The consideration of supply outside of Birmingham and Sandwell is currently sketchy, with figures not shown over comparable periods and the choice of councils not clearly related to the strength of migration flows out from the two authorities. Overall, although not yet sufficiently detailed, work done to date does highlight the strength of the competing supply-lines facing the Urban Living Pathfinder. Many of its potential customers will clearly continue to benefit from a wide range of choices.
- 113 In detailing the likely market for its new and existing homes, Urban Living has identified various potential sources of demand. These include newly emerging Pathfinder households; former residents returning to the area; households moving in to take up new jobs; residents from other parts of Birmingham and Sandwell attracted by the new developments; residents from other parts of the West Midlands who are priced out of their own areas; and international migration. It has also considered as 'latent demand' people who would otherwise have left the Urban Living area, and a proportion of the 6,000 local households to be relocated when their homes are demolished. This is not however really additional demand as such, but rather a potential capping of envisaged losses.

- 114 The level of likely demand from these various sources has not been investigated yet in any detail. Emerging households, who represent new demand and are a key group here, may automatically consider the local housing offer. However the Pathfinder realises that it will have to work hard to outbid the alternative supply if it is to capture the attention of many of the other groups. This is reflected in its emphasis both on design quality, and on the need for simultaneous improvements to the wider 'public realm' and public services.
- 115 More specifically Urban Living believe that there could be particular Pathfinder markets for key worker homes; homes which meet the specific requirements of particular ethnic minorities (including larger homes for extended families); traditional family housing that represents good value for money; homes for 'urban professionals' who can not afford city centre prices; and second-stage city living homes for graduates looking to move on from an apartment lifestyle. Homes for asylum seekers and refugees are cited as an additional niche market, although elsewhere numbers of asylum seekers are predicted to be likely to decline. There is no research presented in the prospectus that substantiates or quantifies these potential markets, or checks where else is planning to cater for them too. This needs to be a priority for the Urban Living Team, not only to inform development partners and programme sequencing, but also to help test the assertions that the private rented sector locally may be under threat of a collapse in demand.
- 116 Elsewhere in the prospectus reference is made to additional factors affecting the Pathfinder market. These include its negative reputation, churning within the private rented sector, and deprivation levels which are said to produce 'inherent instability' in local communities (although the basis of this claim is not clear). Conversely rising house prices along its southern and northern boundaries with Birmingham, and the area's traditional role as a reception area for immigrants are said to provide it with some future stability in terms of demand and function.
- 117 Additionally, within its evidence base CURS points to 'an oversupply of social rented housing per se' within the Pathfinder that will need to be explicitly tackled. This has not been helped by recent policies which have seen a marked increase in RSL stock-holdings here over the last 10 years or so. Stock option assessments, decent homes targets and the health of providers' business plans are critical to understanding the long-term viability of this particular market. As yet however no analysis of this information, or timeline for it, is available. In addressing this gap in its understanding it will be important that the Pathfinder also considers affordability issues more widely – including the extent to which local residents will be able to trade-up to owner occupation and/or the new homes provided within the Pathfinder, and how far Urban Living should intervene and invest to drive the market here. The constraints faced by low-income families are likely to be of particular concern.

- 118 Related to this are other potentially influential strategic policy drivers. If the overall intention is to avoid or temper concentrations of deprivation in future, in line with the promotion of mixed use/mixed choice/mixed income areas that are held to be more sustainable, then implicit in this is the need for some high-level policy decisions. If an element of dispersal is to be encouraged and planned for, then supporting work and investment in recipient neighbourhoods needs to be considered and put in place. If, on the other hand, restructuring is to rely on new groups relocating to the Pathfinder, to high quality developments on the catalytic sites said to be large enough to create their own environment, then care will need to be taken to avoid the creation of 'gated' communities within the wider area. These policy considerations will impact on investment decisions by the Pathfinder, and need to be clearly understood. There are also implications here for service provision at a time when service devolution is likely to be putting additional pressure on overall delivery costs.
- 119 In seeking now to refine its understanding of its market drivers, Urban Living will have to start defining their inter-relationships and relative importance too. Differentiating cause from consequence will help it to target its resources well and manage its risks effectively. It would be useful for the Pathfinder also to group negative and positive drivers together, providing a clearer sense of the threats and opportunities it is dealing with, and to relate the selection of tools and projects much more explicitly to them. Urban Living may wish to consider the role that the neighbourhood typologies developed for the Pathfinder area by CURS in 2002, Birmingham's sustainability index, Sandwell's traffic-light system for housing investment, Government's low-demand threshold indicators and scenario modelling could all play in helping it to start mapping local dynamics more quickly.
- 120 The main drivers that the Pathfinder has identified to date are clearly connected with the articulate description of the roots of market weakness in its information base; but because their current influence is not well evidenced, it is less clear that these are the key live factors in the market now which will shape it for the future. As it stands, the Urban Living proposals and targets can not be said either to be grounded in robust assessments of likely supply and demand – the ultimate drivers of any housing market – and seem instead to be driven primarily by aspirations and site-led opportunity. While it is positive in many ways for the Pathfinder to set itself ambitious targets, it will need to demonstrate a better understanding of its market drivers if it is to convince its partners that they will ultimately also be deliverable. This aspect of the Urban Living submission has more areas for improvement than strengths.

## What solutions are being proposed and will they be effective?

### Solutions

- 121 The solutions proposed by the Pathfinder should address the identified drivers of market decline and failure, and be sustainable in the longer term. They should link clearly to the achievement of the Pathfinder's objectives, and be deliverable in the timescales agreed with government. Alignment of programmes with other key strategies and effective risk management arrangements should help support deliverability.
- 122 Beneath the general vision of fostering 'diverse, but cohesive and flourishing multi-cultural neighbourhoods' sits Urban Living's single overarching aim, which is: 'to create an area in which people will choose to live because it is built upon stable and sustainable communities with all residents having access to a choice of quality housing, a safe and attractive environment, good public services and high quality job opportunities.' To ensure this aim is achieved the Pathfinder has set itself six key strategic objectives which are differentiated further to form two groups – three core objectives (which the Pathfinder and its governing body will be directly accountable for delivering), and three complementary or flanking objectives (which the Pathfinder will try and influence others to deliver).

#### *Core objectives*

To improve the choice and quality of housing, to help create a self-sustaining housing market that meets the needs of existing residents and attracts and retains new and former residents.

To create the condition for long-term and continuing investment in new residential and commercial developments by the private sector.

To improve the quality, sustainability and safety of the urban environment and infrastructure.

#### *Complementary objectives*

To work with other agencies to improve the delivery of effective public services to all residents in the housing market renewal area.

To work with appropriate agencies to promote learning and skills and local employment opportunities as a means of increasing competitiveness and access to quality employment.

To work with appropriate agencies to develop the identity of neighbourhoods and local centres to maximise local commitment to regeneration of the area.

- 123 There is potential for some crossover between these objectives – between the last core objective and the first and last complementary objectives, and between the first two complementary objectives themselves. This is reflected in the blurring of some of the proposed programme elements across the core and complementary divisions, and by the way that projects and outputs/outcomes do not always sit clearly beneath the headline objectives they have been allocated. Unless this is addressed it will in turn make it more difficult for the Partnership Forum, and Government, to determine when the Pathfinder's objectives have been successfully achieved. It is likely therefore that the Pathfinder will need to sharpen the strategic focus of its aims for the future, including rephrasing its objectives to make them more specific and measurable. This applies particularly to the complementary objectives. (The Pathfinder should also clarify whether the tool-kit's cited range of objectives for themed interventions have been formally adopted, as a sub-set of the core objectives, and if they therefore form part of Urban Living's project appraisal and evaluation framework).
- 124 The Pathfinder has bid for £62 million of market renewal funding between 2004 and 2006, and for £1.1 billion over a fifteen-year project life in order to deliver its objectives. It is estimated that this will be complemented by a further £68 million of public and private resources in the first two years, and £3 billion overall. (This bid has subsequently been revised during the negotiation process and resubmitted at £50 million for the initial programme). The key targets to be achieved through the total investment include increasing owner occupation levels (to 65 per cent); halving vacancy rates (to 2.8 per cent); refurbishing 15,000 homes and helping to improve a further 10,600; and widening housing choice through the demolition of 6,000 properties, and redevelopment of 270 hectares of land for housing – producing 12,000 new homes, many of which will be 'aspirational' in type. These measures are also expected to help produce a 10 per cent increase in area population, a drop of over 40 per cent in the number of residents likely to move in the short-term, further narrowing of the gap between local and regional house prices, and a halving of neighbourhood dissatisfaction levels (to 9 per cent).
- 125 The Pathfinder has submitted a programme that reflects the core and complementary split in its objectives. The core programme comprises two main strands – one is concerned with taking forward potential projects identified through the four Area Frameworks (with the focus on capital investment); the other is concerned with taking a preventative approach to dealing with potential market decline through a programme badged as 'active neighbourhoods'. The complementary programme has been developed through a series of themed workshops with stakeholders and designed to focus on crime prevention, education, employment and health (environmental projects/services are funded through both strands in the core programme).

- 126 As part of their work on the information base, CURS overlaid deprivation scores, with house price data and its 'at risk' index (which highlights concentrations of poorer people in cheaper forms of housing), to identify Pathfinder neighbourhoods most vulnerable to market failure. In taking its active neighbourhoods programme forward the Urban Living Team has used a different approach. The 19 vulnerable areas identified for intervention were rated against six factors: crime and vacancy levels, relative prices, and ratios of council, RSL and private rented housing. Areas selected score highly on at least two factors, and 12 of the 19 have high concentrations of council or RSL homes, which means there is considerable overlap with the social landlord role and public sector housing investment. Urban Living has predicted that for areas with five or more of these factors, market collapse may be expected within two years; and for areas with three or more, within four years. No background is provided on the rationale for the selection of factors or their thresholds, and the basis for the projections of collapse is not substantiated.
- 127 Since housing market weakness is not static, the Pathfinder has been decided not to allocate specific boundaries to the 19 active neighbourhoods. Whilst this supports a flexible approach to expenditure, it will also make monitoring and comparison with any control areas more difficult. Programmes of activity are to be tailored to each area, following consultation with local residents, and so the prospectus describes indicative projects instead. These include neighbourhood wardens, community safety/anti-social behaviour initiatives, void refurbishments and possible reviews of future sustainability. The overall aim is to co-ordinate existing initiatives and fill gaps, in the longer term influencing the way that services are delivered. Five separate, additional neighbourhood management pilots are also to be funded under the active neighbourhoods programme.
- 128 The four area frameworks were drawn up by different consultants. They have generic headings, but have taken a varied approach to their brief within this outline. In general the Birmingham AFs are more detailed and have made more of an attempt to consider options and specify outputs. Design and transport issues are also better integrated. All the AFs are grounded in spatial planning concepts, and share a common vocabulary of gateway and corridor improvements, green networks and public spaces. All refer to the joint councils' research on the upgrading of the Pathfinder's nine local centres and incorporate this and public realm improvements as themes within their proposals. The AFs are not area masterplans. They fulfil their brief of taking on board pre-existing area-based initiatives (ABIs) and council plans, and developing a collective pool of potential projects for Urban Living to select from, and their strength lies in the range of ideas presented. Regular challenge and liaison meetings have helped stakeholders to influence the AFs evolution.

- 129 The West Bromwich AF proposes introducing high density urban living to support its regeneration strategy for the town, and a commuter market based around remodelled metro-nodes. Both of these housing offers are untested locally, and the Pathfinder will need to substantiate the likely market before committing any significant resources. The redevelopment of the Lyng estate and NDC area are also to be accelerated, with mixed tenure and more suburban housing provided here. The other three AFs share the concept of creating 'complementary' neighbourhoods linked by green routes, with a style of housing that becomes more urban as you get closer to the major centres. There is a strong emphasis on routes in to Birmingham and environmental upgrades, and the Aston/Lozells/Newtown AF is constructed on the vision of the area as the city's northern gateway. Major housing projects include mixed development on the catalytic sites to be assembled, and the remodelling of council estates and terraced housing (the latter via stock conversions and deconversions, and the breaking up of long streets in Smethwick into more permeable blocks).
- 130 Overall however there is not a primary emphasis on housing and housing markets in the four AFs, and it would be reassuring therefore to have had a clear commitment in the prospectus that the contextual investment that market renewal will not fund can be secured elsewhere. This applies not just to long-term projects such as the removal of the Hockley flyover or the creation of a major park in West Bromwich, but also to the wider environmental and retail centre enhancements envisaged in the short-term.
- 131 It is the councils' delivery teams who are to take their AFs forward now, developing them into full regeneration strategies with accompanying business plans. Urban Living will need to ensure that the best aspects of the current AFS are replicated across them all, and in particular that the links to market drivers and desired market outcomes (and not just outputs) are strengthened. To date, while some use has been made of the base data provided by CURS, there is insufficient evidence that this has had any significant shaping influence on the AF proposals. There will also need to be more discussion of common strategic issues (such as site sequencing and management; a consistent standard for 'greening' neighbourhoods; and the levels at which the desired mixes of house types and tenures should occur), so that the sense of a real Urban Living approach to Pathfinder markets can emerge. Tensions will need to be resolved too between criticism of congestion, pollution and community severance on the one hand, and a continuing emphasis on route-led development (including proposals for high density housing along arterial roads) on the other.

- 132 The complementary programme is to receive £12 million of market renewal funding over the Pathfinder's lifetime. Additional funding is shown as coming from the two councils (see paragraph 196), but with nothing currently expected from other public agencies involved – for example from the Police or from Health. Resources are to be split equally between the service programmes, although their relative importance in housing market terms may mean that this base position will have to be reviewed (see paragraph 122). There are as yet no specific projects agreed although some strategic 'envelopes' for them, such as the 2010 and the supporting education through regeneration initiatives, are in place. The prospectus again details indicative projects which will be considered for inclusion. These range from projects with a logical market renewal connection (such as alley-gating and home-safe schemes), to projects with a more questionable one (such as car-sharing schemes and increased drug treatment capacity). Urban Living will need to firm these programmes up rapidly and demonstrate clearly, where market renewal money is involved, the additionality in terms of project outputs and of resources that they are set to achieve. It will also be necessary for the Pathfinder to be clear about just how these programmes are to help address the non-physical, 'wicked problems' it has identified (around transience, socio-economic fragility, and a negative reputation), so that strategic value-for-money is ensured too.
- 133 The Pathfinder's submission includes a separate, detailed annex on the tools it is planning to use to help it deliver its programmes, and particularly its cross-Pathfinder programmes (research and development, private sector housing renewal, social housing renewal and an action plan for the private rented sector). Anticipated early elements of the cross-Pathfinder programmes are set out in the prospectus, and include some cross-over with the AFs and their project focus. Urban Living's tool-kit is to be refined over time, but already incorporates some interesting approaches to Pathfinder housing issues including a housing gap-funding mechanism for securing design quality (see paragraph 175); qualification-based courses for landlords; and linking relocation/new homes grants in with self-build schemes. Much of the early activity described, however, is clearly centred on the councils' statutory and strategic housing roles and on existing programmes (see paragraph 158). Care will be needed to disaggregate the Pathfinder's remit here, and assess the added value achieved. Urban Living will have to clarify which elements of programmes have been expanded and developed to meet particular Pathfinder requirements for market restructuring. It should also clarify the revenue and capital splits for these programmes (differentiating between one-off capital funding for specific projects, such as a conversion scheme, and capital funding for ongoing schemes such as loan funds).
- 134 Finally there are likely to be some particular value-for-money issues raised here that will need specific consideration, including: the provision of grants to owner occupiers, improvements to right-to-buy homes (unless funded by loans), and the conversion of surplus retail units for housing. More widely the long-term value of repeat public investment into some of the terraced stock should be formally assessed, and timed to link in with councils' option appraisals for their own stock. Urban Living benefits from having a leading national provider of low-interest loan products (ART Homes) based in the Pathfinder. ART Homes is currently developing and market-testing potential products, including within the Urban Living area, and covering sharia-compliant loans too. However the AFs flag-up problems with low take-up of loan products in the past, and the risk associated with this for the Pathfinder will also need to be assessed early on.

- 135 Urban Living wants to develop tools that are flexible, and capable of responding quickly to meet the needs of a rapidly changing market. In taking this approach it may be useful therefore for the Pathfinder to rehearse its responses to market shifts, ensuring tools can be amended, clustered and mobilised quickly. Its risk-management framework could have a specific role here. In addition, since the Pathfinder has aligned its tools with tenures, it would be interesting to take this further to the point where managing tenure shifts becomes an explicit aim for the cross-Pathfinder programmes too.
- 136 Strong control over the social housing tenures is already available through Urban Living's partners, although their investment plans must demonstrate alignment and there should be more explicit reference to using ADP resources as a restructuring tool. Some initial work to voids and/or deconversions for homesteading, shared ownership or outright sale provides a useful starting point that could be expanded. The private rented sector action plan is traditional in its twin advice and enforcement elements, but has less of a focus on supply. The single strand contract will help in part (see paragraph 71), but the flow of homes from owner occupation to private renting still has the potential to undermine Pathfinder diversification targets. It would be useful to see the plan encompass tighter monitoring of this, and consider structuring packages for reluctant landlords that would encourage them to sell on to the Pathfinder rather than have to deal with licensing and a more proactive enforcement regime. The major gap in the current tools, however, is a specific focus on schemes to help residents to become and remain home-owners. Many of the elements for this may already exist, but they need bringing together and marketing so that the choices and pathways for existing (and new) residents are opened up more clearly. This sort of approach could include projects such as 'first-rung' home loans; graduate retention schemes linked with subsidised housing; stair-casing schemes aimed at the self-employed; and 'take-it-on' grant/loan packages linking young families with sustainable Victorian stock in need of refurbishment.
- 137 The overall thrust of the early programme proposed by Urban Living has a variable fit with the market drivers it has identified (see paragraph 109). The projects that may be relevant to improving poor service provision are still to be agreed, as part of the complementary programme. Rising housing aspirations and restructuring the housing supply are largely to be responded to through demolitions and new-build development of catalytic sites, with less thought to date around the existing stock, tenure shifts and housing pathways. Social exclusion issues, relevant to demographic and economic change, are not a major focus for the early programme. The councils' Community Cohesion Partnerships are to screen Urban Living policies and programmes for their cohesion impacts, but the wider social policy aims and consequences that may be associated with housing market restructuring, with impacts beyond the Pathfinder, have not yet been clearly articulated or addressed.

- 138 As it stands there are currently two main dangers with the Pathfinder's chosen proactive and preventative approach. The first is that Urban Living investment strategies fail to prevent and/or mitigate site opportunities being built-out in a way that does not foster the creation of mixed and sustainable communities. The second is that 'stabilisation' programmes for neighbourhoods are not radical enough to deal with the structural weakness the Pathfinder has identified in these markets, and that potential low demand problems are only postponed instead of being dealt with. As the Pathfinder is aware, this is a complex area with live markets and specific functions, and not one where it is possible simply to build your way out of the problem. Sophisticated strategies and regular policy reviews are required for the future.

### Strategy and policy alignment

- 139 At the regional level the revised policy thrust of Regional Planning Guidance is, as discussed, supportive of Pathfinder intentions. Unsurprisingly the Regional Housing Strategy is supportive too, highlighting low demand and market restructuring as a key priority. The Housing Corporation's Regional Investment Strategy echoes this focus. The Regional Transport Strategy is silent on any housing market impacts of infrastructure investment, and the updated Regional Economic Strategy makes no mention of it either. The 'Arc of Opportunity' Regeneration Zone provides the local economic focus and context for Urban Living, so it is more of a concern to find little reference to the Pathfinder here, where it is mentioned briefly in the section on 'creating the conditions for growth' and then really only as a potential new funding stream for projects. (There is no money from Advantage West Midlands shown in the Pathfinder's early programme). Sub-regionally it is not clear how the Pathfinder fits with either the concept of Birmingham as a city-region, or with the Black Country visioning and consortia arrangements.
- 140 A very extensive raft of strategies, research and ABI documents was submitted with the Birmingham Sandwell Pathfinder prospectus. Urban Living asked CURS and the various AF consultants to review this evidence base, and also used its stakeholder workshops to gather information on existing initiatives. However the reviews undertaken did not result in any clear analysis of synergy or strategic 'gaps' for the Pathfinder to use or tackle. As a result there is no conclusion in the prospectus on the extent of local alignment, although this is nonetheless acknowledged to be vital.
- 141 Looking at the documentation, there are some obvious issues to be addressed. For example the two Unitary Development Plans (now being finalised) are not specifically supportive, and there is no reassurance on how the replacement Local Development Frameworks will be coordinated to produce a Planning and land-use framework for the Urban Living area. Housing has a low profile in both councils Community Plans: for Birmingham, it is mentioned under 'sustainable city', with reference to a need for cross-tenure restructuring; for Sandwell it is mentioned under 'urban form/community safety', this time with reference to a need for variety and choice in the stock. No corporate plan was provided for Sandwell council, but the plan for Birmingham does not mention market renewal as a service priority under either the Housing or Regeneration portfolio. Medium term financial plans for the councils were not provided either. There is, overall, no clear sense of an embedded vision or support for market renewal within the key local plans of the Pathfinder's main partners.

- 142 More specifically, both local Housing Strategies pre-date the Pathfinder and its relative priority here is therefore unclear. Birmingham's strategy is based on a 'housing market area' approach to the whole city, and detail on its functional analysis, monitoring and policy plans for North West Birmingham would have been useful. There is also insufficient information on particular aspects of the councils' strategic housing approach that will be important to Urban Living: application of the Empty Property Strategies (given higher vacancy rates); Fuel Poverty Strategies (recognising lower incomes); Private Sector Renewal Policies (given the themed work to be undertaken in the Pathfinder); BME, Homelessness and Supporting People Strategies (in acknowledgement of the diversity and vulnerability amongst Pathfinder residents). While HRA Business Plans are provided, their relevance to the Urban Living stock is not disaggregated or highlighted, and the full financial background is not presented (including the new housing loan commitments both councils have to finance). Ultimately what is not made clear here is the extent to which mainstream housing programmes are aligned, or being aligned, to support the Urban Living Pathfinder. This means that it is not easy to determine whether the Pathfinder is to fund activity over and above the base, prioritised statutory housing services it can expect to be able to call upon, or whether it is just becoming a core funder of statutory housing services in its area.
- 143 The Pathfinder area is covered by many ABIs, and it acknowledges that there is some way to go before full alignment is achieved. It would nevertheless have been useful for the two housing New Deal for Communities Areas (with a total of £100 million to invest) to have been prioritised here, since a demonstrable fit with their proposals is an important element for the prospectus. The Pathfinder's potential RSL and developer partners also want to ensure that the fit with other initiatives is strong, and that the considerable resources being invested locally are used to best effects. Urban Living and the two councils have responded by deciding on a specific new approach to ABI/public service alignment and mainstreaming, through the institution of a Cross-authority Partnership (CAP). This builds on collaboration arrangements between Birmingham City Council and Sandwell MBC, and will set joint improvement targets that are intended to support market renewal and Pathfinder success. Some market renewal funding is to help the councils to achieve these targets, thereby releasing additional revenue support from Government for further investment in service provision. Other ABI budgets are expected to be similarly aligned behind this agenda. The targets are intended to be supportive of market restructuring, and clearly if this is to produce the intended virtuous circle, the Pathfinder will need to be sure that the right service elements are prioritised (see paragraph 122).
- 144 Although in its early stages, this is an interesting and innovative approach which is likely to be of interest to other pathfinders. Some progress on joint working has already been made separately on health (through the 2010 pilot), and through a joint agreement between the two Local Education Authorities. It would be useful to understand now what input the Pathfinder is to have in selecting the LPSA freedoms and flexibilities to be requested from Government; how the CAP intends to monitor and evaluate the market impacts of service improvements; and how its work will fit with that of the two authorities' (and eventually also the various constituency) Local Strategic Partnerships.

- 145 The Pathfinder will need to consider mechanisms to achieve maximum impact for private sector resources too. Developers to date have requested short reporting routes and single points of contact for simplicity; and joint ventures and five-year development plans that will focus on their part in the overall Urban Living strategy. Decisions need to be taken jointly on how to move this forward, aligning it with planned work on procurement strategies and delivery vehicles for the future.

## Risk

- 146 It is important for pathfinders to take a positive approach to risk identification because this allows for pre-emptive action to deal with important risks, and increases the chances of programme delivery to time and to target. As the allocation of further tranches of pathfinder funding will be influenced by comparative performance, this means effective risk management will be critical.
- 147 Urban Living have commissioned consultants to produce an initial risk register for the Pathfinder. This incorporates 90 individual risks, rated on likelihood and severity of impact, in various (and sometimes split or repeated) categories. Risks have been allocated to organisations, and will be allocated to named individuals in due course. As yet however there has been no work done to identify dependencies, so that a critical path of risks that focuses effort can be constructed and managed.
- 148 While it is to be expected that, at this early stage, pathfinders' risk frameworks will tend to be more generic, the Urban Living register has not included key risks identified by the four AFs (such as West Bromwich town improvements being delayed, or the metro not being extended along the A34). It has also not clearly linked risks with the housing market drivers identified, and overall lacks any real local 'flavour'.
- 149 The actions identified to mitigate the risks are often short on detail (for example CPO disputes are to be dealt with by avoiding the use of CPOs where possible). There is also over-reliance on monitoring, which is by definition a post-hoc process. Despite likelihood scores varying, the emphasis is consistently on what is already in place that should prevent the risks occurring. This provides a degree of reassurance, and the use of scenario modelling and pre-preparation of specific strategies (for example to deal with loss or underspend of resources) could strengthen this further. The Pathfinder should also incorporate project and programme triggers, and/or themed reports (by activity and delivery agent), to help it manage the need for further specific risk reviews.
- 150 Developers have already said that additional capacity will need to be attracted into the area if the Pathfinder's programmes are to be delivered to time. The current registered response to industry capacity risks, that of developing initiatives with the local Learning and Skills Councils, will need to be worked through in more detail now, and as a priority.

- 151 Urban Living recognises risk management as ‘a fundamental aspect of corporate governance’. It aims to produce monthly and quarterly risk reports, and is currently reviewing its information systems to incorporate a risk monitoring capacity. Delivery contracts are to include detail of the Pathfinder’s risk management processes, and project appraisal forms will require all applicants for Pathfinder resources to identify the risks associated with their projects. This information will need to be set against a separate Urban Living assessment, which takes into account the balance of risks across its programmes too. The Pathfinder may wish to consider using internal/external audit expertise to help it here, and provide an independent view.

## **Delivery and sustainability**

- 152 The Pathfinder has started to gear up for delivery although, overall, its preparations are at an earlier stage than may be expected. Job descriptions are drafted, but the anticipated staffing structure has not been agreed by the Partnership Forum or provided with the prospectus, so an assessment of likely delivery capacity has not been possible. Urban Living is intending to fund 34 FTE staff in total, some of these posts within each council.
- 153 Full appraisals of projects within the first two years programme and their deliverability are to be carried out over the summer. This will lead to staggered project starts in September and December that will have to be tightly managed to ensure spend is achieved. An inbuilt ten per cent minimum of over-programming, and the contingency margins incorporated into projects, should however support the Pathfinder in meeting its commitments. Most of the tools proposed for use now are familiar to its council delivery partners, and ART Homes is currently piloting its potential new loan products for the Pathfinder. Urban Living has discussed the need to align approval mechanisms within the two councils, to support effective decision making, and is expecting to introduce an internal scheme of delegations based on financial caps. These intentions are sensible and need to be followed through quickly, but with the requirement for Urban Living’s governing body to retain control of its strategic and financial direction duly protected.
- 154 There are, however, some other issues with delivery raised by the prospectus. The Pathfinder has no procurement strategy in place yet, and no process agreed for selecting RSL or developer partners. The opinion from consultants that both councils’ standing orders are unlikely to meet Pathfinder requirements is not explicitly addressed. Urban Living is highly dependent now on council services to deliver its programmes, but as yet there is no real history of Birmingham and Sandwell working together and both were rated as ‘weak’ authorities in their original Comprehensive Performance Assessments. In addition to this both Housing services have significant delivery agendas, for at least the short-term, outside of the Pathfinder and its requirements. Finally the outline memorandum of agreement for complementary projects, and the contractual arrangements/ service level agreements for core projects, have not yet been agreed, and it is unclear what project management systems are to be adopted by Urban Living to help ensure delivery and compliance.

- 155 Delivery of the early programme is to be the responsibility of various teams: one within each council (although these may not be 'teams' as such, but additional posts within existing services and structures); an Urban Living delivery team (to have a 'pivotal role' in coordinating delivery across the programme); and catalytic project teams (which are to be council/URC led). The Pathfinder has also considered funding a number of Single Local Management Centres to identify and resolve barriers to local delivery, while the Collaboration Group as part of the CAP is expected to coordinate delivery at the strategic level. These arrangements bring with them a potential for duplication of effort, and the strategic commissioning role of the Pathfinder in relation to them needs to be clarified and strengthened.
- 156 At its outset Urban Living appears to have had a more commercial focus than is currently apparent. This was reflected in its early contacts with developers, and the amount of research commissioned on private sector funding routes and special purpose delivery vehicles. This research recommended that the Partnership Forum should become a 'lighter' not-for-profit incorporated company, focused on using public resources to attract private sector investment. It also recommended housing regeneration companies as being particularly appropriate delivery structures for North West Birmingham, in recognition of the size of RSL stockholdings there (with examples of successful operators in rising markets using increased values to stretch public investment further). Birmingham City Council may be taking some of this work forward, with the concept of a Social Venture Capital Business for Aston, but it is not clear whether any of it is to be followed up by the Pathfinder. As it stands market renewal finance is set to be channelled primarily to Birmingham CBHOs, the Sandwell ALMO, other council services and public sector agencies. The rationale for these delivery-route decisions is not apparent in the prospectus.
- 157 There is here a sense in which the Urban Living is currently missing an opportunity to establish an identity as the most market-oriented of the national pathfinders. It may be said to have some distinct comparative advantages – its location near a major employment centre; its young population; rising house prices; site opportunities; and recent unsubsidised market investment in new-build developments. This is not to downplay the significant challenges faced with respect to diversity, social exclusion, poor reputation, and 'tired' housing stock; but it does lend itself to a potentially more commercial approach, that concentrates on using public subsidy and delivering programmes in innovative ways that are focused specifically on long-term sustainability. In reviewing its options for the future, the Pathfinder should also specifically consider the relative merits of adopting the Sandwell URC as its central delivery vehicle, since URCs are already designed to appeal to the private sector and are favoured by the national tax regime. Urban Living has described its contact with the URC to date as limited. However the importance of joint working in future is also clearly acknowledged, and readily apparent from the extent of the potential land-use change agenda.
- 158 The approach taken to sustainability issues to date by the Pathfinder equates them primarily with Local Agenda 21 housing elements – that is water and energy efficiency, recycling materials in construction, and green home demonstration projects with RSLs. It is also planning to incorporate a commitment to lifetime homes into its new-build developments, and is consistently positive about the role good design can play in sustainability.

- 159 As part of preparing its prospectus Urban Living has commissioned a useful initial design code, in line with those adopted for Birmingham, which emphasises key principles including the links between flexibility/quality and longevity in the design and building of homes. The Pathfinder is to ensure these principles are followed through by embedding them within the Planning process, and by employing a housing gap-funding mechanism which it is setting up with help from CABE and English Partnerships. (Urban Living will need to ensure design is a fundamental element that developers are to compete on for assembled sites, so that any enhancements it then funds directly are truly additional, as well as clearly linked with future sustainability). The use of design panels and champions is also anticipated, and there is a potential role for residential coding to be considered here too, along with the reconciliation of the variable emphases in the AFs on achieving a local identity.
- 160 Taking sustainability more widely, however, there is no definition given within the prospectus of either sustainable development or sustainable housing markets, and no overt consideration of the sustainability of investment or prioritisation of projects in these terms (for example excluding project bids where the revenue for future maintenance has not been secured). Since the creation of a 'self-sustaining market' is the Pathfinder's first objective, this is inconsistent.
- 161 The prospectus discusses investing to deal with and stabilise existing market weakness. It would be useful to see alternative/complementary plans from the Pathfinder around prioritising investment to grow-on inherent market strength (as another way to achieve the momentum to help deal with the less successful areas). AFs currently mention pulling in market activity from the city centre and the Pathfinder's more prosperous neighbouring areas, but there is insufficient detail about how this is to be done, or how the rest of the programme needs to be structured and phased to support it. This might, for example, mean including programmes of specific design treatments for edge-of-development streets, to help tie new-build into the existing environment more successfully, maximise sales and capture potential spill-over price rises for local residents.
- 162 As yet there is also insufficient consideration given to securing the long-term sustainability of Pathfinder investment. Reference is made in one AF to community land trusts; to the community development trust Greets Green NDC is establishing to act as its successor body; and developers have raised the idea of a new-build roof tax to help finance the cost of refurbishment/(de)conversions of the existing stock. The Pathfinder will need to take such ideas forward in a more structured way, linked to considerations around capturing enhanced values where possible, and legacy funding for the area in future. Its output and outcome targets should reflect market sustainability more clearly too, and it may wish to consider links with the Regional Sustainability Strategy's approach to using quality of life indicators to measure sustainable development progress here. Links could also potentially be made to other groups, such as Birmingham's Sustainability Forum, who could screen Urban Living proposals and offer advice in the same way the Community Cohesion Partnerships are set to do.

- 163 Overall, In terms of developing its solutions, the Pathfinder has to date constructed a good pipeline of potential Area Framework projects. These include some interesting and innovative schemes, although some will require market testing or further assessment before significant resources are committed. Other programmes, however, are not yet detailed or agreed, and the rationale behind the selection criteria for 'active neighbourhoods' is not fully substantiated. The cross-over with the councils' statutory and strategic housing roles needs clarification, and strategy and policy alignment requires further work. A solid basis for risk management is place, but is in need of further refinement, and there are various issues around capacity and delivery that will have to be addressed now. Finally, both housing market sustainability and the sustainability of Pathfinder investment over the longer-term need to be planned for more specifically, although some notably good links with design quality are already being made. On balance this aspect of the Pathfinder's submission currently, therefore, has more areas for improvement than strengths.

## Community

- 164 Market Renewal presents some interesting challenges in relation to engaging local communities. It is important that they are fully consulted on the problems affecting their neighbourhoods, and involved in developing solutions. This includes difficult-to-reach or marginalised groups, such as young people and residents with special needs. Tensions may sometimes emerge between the views of communities and broader market renewal objectives. Pathfinders will need to demonstrate that they can manage these tensions sensitively, whilst retaining their strategic focus on creating sustainable housing markets.
- 165 Urban Living's sixth objective is concerned with developing local pride and commitment to the Pathfinder areas. Its prospectus also says that in order for change to be successful it must be owned by those most affected – the Pathfinder residents. Despite this there has, however, been notably little consultation or engagement with the community to date, not at the strategic or at the local level through the evolution of the four AFs. The Pathfinder has instead relied on findings from previous consultation exercises undertaken for ward development plans and other ABI programmes.
- 166 Whilst the Urban Living is intending to consult at a neighbourhood level on certain projects (including the Active Neighbourhoods theme), it can not be said that residents have influenced either the objectives or the thrust of Pathfinder's initial programmes. This is problematic, not only on the grounds of equity, but also because the prospectus and AFs imply there are issues locally around consultation fatigue, cynicism and conservatism that could potentially lead to delivery difficulties and delays at a later stage. The Pathfinder is fortunate however that, with the community engagement requirements for Local Development Frameworks and stock options development, there is currently a potentially shared agenda for 'high-level' consultation with the community around housing, planning and land-use issues. It would be sensible for Urban Living to capitalise on this synergy now by ensuring a joint approach that could avoid duplication of effort, and allow the debate to be taken forward in a comprehensive way.

- 167 Using specifically commissioned research on community capacity building, the Pathfinder has now drawn up the basis for its future community engagement strategy. Responsibility for delivering the strategy is currently shown as split between the Urban Living and council delivery teams. The councils are however to handle the press releases and media communication. The Pathfinder may need to reconsider here whether or not it would be preferable for it to have a more separate public identity at times, given the need to inspire confidence amongst residents and investors that a new approach to old problems has arrived.
- 168 The community engagement strategy is expected to ensure that a more active approach to involving residents will be pursued (for example through planning-for-real events). The Pathfinder intends to use existing networks to best effect (since many organisations already aim to coordinate consultation and engagement in the area), with Community Information Partnerships and 'syndicated' news about Urban Living incorporated here. It also aims to focus both on the needs of hard-to-reach groups, and on innovative ways to reach mainstream audiences (such as text messaging or adverts in football programmes). Additionally, building on the success of a previous scheme in Birmingham, the Pathfinder is to provide Urban Living awards to resident champions who have helped improve the housing situation in the Pathfinder area. Evaluation of the Birmingham scheme showed a significant 'return' on investment in terms of the positive coverage and commitment it generated.
- 169 There are clearly some interesting ideas here, and the Lyng Development Framework shows that some good work in partnership with residents has been undertaken previously. In taking its own strategy forward now it would be helpful if the Pathfinder provided more detail on how it is to deal with diversity, language and literacy issues locally (bearing in mind its concerns about communities that are severely marginalised); and how it is to ensure that the market groupings it wants to retain and attract (for example young families) are specifically engaged with the process too. Overall, however, given the relatively low profile accorded by Urban Living to community engagement to date, it is unsurprising that this aspect of its work currently has more areas for further development than it does strengths.

## Resources

- 170 Pathfinders need to demonstrate that their approach to using the resources from the Government's market renewal programme is effective, both in terms of delivering the programme objectives and in providing value for money. Their funding arrangements must be deliverable and, through proactive partnerships, well connected and co-ordinated with other relevant opportunities.
- 171 The market renewal funding allocated to pathfinders by Government is in the form of housing capital resources, and is projected within Urban Living's prospectus to finance 47 per cent (£62 million) of its early programme, with 29 per cent of the total £113 million expected to come from the private sector. Over the lifetime of the Pathfinder it is projected that 51 per cent of the anticipated total £4 billion spend will come from the private sector, with 25 per cent (£1.1 billion) requested from market renewal resources.

- 172 So far no connections have been made between the spend anticipated, and the achievement of Urban Living objectives. Spend is however linked to target *outputs*, but this is provided only for the total projected investment, and not separately for market renewal resources. This means that it is not possible to determine from the financial plan submitted just what is to be 'bought' for market renewal expenditure, whether it represents an eligible/appropriate use of public subsidy, or whether it is likely to provide value-for-money. This is a key weakness in the Urban Living submission.
- 173 In addition to this there are certain areas of the envisaged spend where no outputs have yet been agreed. These include 'active neighbourhoods' (£1.7 million of the early programme, and £91.5 million of the total programme, entirely funded by market renewal); and the complementary programmes (26 per cent funded by market renewal - with £1.4 million required in the early programme, and £12.9 million over the life of the Pathfinder). Conflicting information in the submission means it is also unclear what elements of the 'public realm' theme (£12 million within the early programme) the Pathfinder is expecting to fund.
- 174 In overall terms the balance of the three main programme elements is as follows:
- ◆ 98 per cent of the total spend is allocated to the core programmes, and 94 per cent of the market renewal funding (which finances 25 per cent of the programmes);
  - ◆ 1 per cent of total spend is allocated to the complementary programmes, and 1 per cent also of market renewal funding (which again finances 25 per cent of the programmes); and
  - ◆ 5 per cent of market renewal funding is allocated to the Pathfinder operating budget – this includes staffing, but does not include the additional 5 per cent 'management fee' built into the Urban Living projects to buy council and other staff-time.
- 175 As far as can be determined from the information available, this seems to be in line with Government expectations on anticipated splits between housing and non-housing expenditure. Information on overall capital/revenue splits can be provided by the Pathfinder's financial model, but does not appear in the prospectus.
- 176 Urban Living describes the thrust of its early programme as being about preparation for subsequent investment, and confidence building. The spend profile for the early years shows a corresponding emphasis on buying property (22 per cent), new-build homes (20 per cent), acquiring land (14 per cent) and investing in public realm improvements (nine per cent). Over the lifetime of the Pathfinder the emphasis shifts to redevelopment – new-build accounts for 49 per cent of the total investment, with refurbishment/improvement (16 per cent), and acquisition of property (14 per cent) and land (seven per cent) as the other main elements. A separate, comparative synopsis of the emphasis of the planned market renewal investment can not be determined. However the arc of market renewal expenditure is provided, with £18 million expected to be spent by the end of 2004/05 and £44 million in 2005/06; with a further steep increase to an annual average spend of £73–77 million in the two following programme divisions. Capacity will clearly need to be aligned and tightly managed to meet this.

- 177 Urban Living commissioned consultants to produce its financial plan, which is derived from aggregated spreadsheets based on project-level data that can be analysed in a number of different ways. The consultants also obtained benchmark unit costs for the Pathfinder team, and conducted some sensitivity analysis of the final programme based on varying assumed inflation rates for key elements. This showed a potential major impact on the programme with rises in build-cost inflation of three per cent or more. Since developers have highlighted industry capacity deficits locally this is a concern, but the conclusion is not subsequently discussed further and although mentioned in the Pathfinder's risk register no specific actions are detailed there for managing the 'high likelihood' of its occurrence.
- 178 Urban Living has not yet agreed its own procurement strategy, and there is no information on the council procurement regulations and strategies that it is therefore currently working within. In line with Best Value and national local government procurement requirements, the Pathfinder will need to demonstrate an open approach to future commissioning that favours a mixed economy of provision. The financial plan does not indicate that any competitive process has been employed in selecting projects to date. Appraisal has instead focused on project sifts in relation to their eligibility for market renewal funding, their support for Pathfinder objectives, and comparison with the benchmark costs which represents the current basis for Urban Living's approach to assuring value-for-money. Projects champions are also to be asked to identify what they think is the 'value added' by their proposals, but this will not provide the Pathfinder with an adequate comparable basis for a rigorous appraisal of additionality.
- 179 At a whole programme level a measure of additionality is offered by the calculation of market renewal leverage. This shows a 1:1 ratio for the first two years, that increases to 1:3 over a 15 year lifetime. If *all* public funding is taken into account, then the lifetime leverage of private finance into the area that is achieved is a 1:1 ratio. To assess additionality more nearly further information is needed on the splits in other funding streams between the money that is committed, committed in principle, or still sought. This should also include analysis of where funding commitments pre-dated the Pathfinder, and where funding could be said to be fairly automatic (for example the area 'share' of core service budgets). As it stands this information is not available, and the fact that the two council funding streams shown also include unspecified ABI contributions makes it particularly difficult to determine additionality, or the extent of any mainstreaming - which the prospectus emphasises is vital - that has been achieved. Urban Living will need to clarify this position, and ensure a full breakdown of funding (including by council budget-heading) is made available. As part of this it would be useful to see more concrete assurances that the match-funding shown for the first two years has been secured, and that the subsequent projected funding is likely to be supported. It is understood that the Pathfinder has been holding meetings to firm-up these commitments now.

- 180 To date Urban Living has not considered the full complementary funding context for its initiatives so that, for example, Neighbourhood Renewal Fund money is not cited. This means that current local investment is undersold within the prospectus. It is also not apparent if partners have yet managed to use the Pathfinder's existence to lever in additional finance in their turn. Because of this it is not clear that the Pathfinder has yet sought to maximise the use of either available or alternative resources. This may again under-represent activity or achievement, however no funding gaps are explicitly identified for the Pathfinder to prioritise for bids or lobbying which, given the emphasis in the AFs on infrastructure and improvements to local centres, might have been expected.
- 181 There is, however, some question as to whether or not the Pathfinder may be displacing existing funding or filling gaps in their partners' budgets. This relates in particular to housing spend, and to the two councils' strategic housing role. For example the Pathfinder is to fund 91 per cent of the action plan designed to deal locally with private rented sector issues, and 82 per cent of the private sector renewal activity in the area. £28.2 million of market renewal funding is to be spent to support the Sandwell ALMO, and an as yet unspecified amount will support the Birmingham CBHOs. (Funding for 20 per cent of the cost of council home refurbishments is included here, while RSLs will fund the entire cost of their stock refurbishments themselves). Displacement will need to be clarified and quantified by the Pathfinder now for its intended calculations of net impacts (see Adjacency section above). The Audit Commission will also, separately, consider the approach being taken to business planning and market renewal by the ALMOs, city council and relevant housing associations as part of its inspection role.
- 182 Overall then there is insufficient data provided for a systematic value-for-money assessment of the submission now, and this will need to be specifically followed up. As it stands there are both particular projects (such as residential conversions of surplus retail units), and specific themed investment (for example bringing *all* Pathfinder homes up to the decent homes standard), that would appear to need further justification. There are also some issues with base costs to be explained: early new-build and refurbishment costs exceed their benchmarks by a significant margin (59 and 62 per cent respectively); and there is an unexplained increase in average private sector renewal costs from £900, to £3,000 and then £15,000 per property over the Pathfinder's lifetime. A sizeable 20 per cent profit margin for developers is built into the programme, and year on year real-cost increases allowed for in the financial plan will need to be reconciled with Best Value principles of year on year efficiency savings for redirection to key priorities. Finally, nil-cost inflation assumptions made in the plan are predicated upon initial and subsequent council delivery of the bulk of the Pathfinder programmes. Urban Living's governing body may wish to review this position in order to ensure future procurement decisions are not unduly constrained, and to assess the value-for-money impacts for the programme associated with alternative providers. It may also wish, in developing its future approach, to consider the need for specific financial performance indicators (such as stretch targets), and the relative weighting that should be accorded to value-for-money in future project appraisals.

- 183 As part of the process of deciding its final programme mix, the Pathfinder reviewed three alternative scenarios – for a low, medium and high spend bid (no figures specified). In all three scenarios the non housing elements remained unaltered, and there was no status quo scenario assessed. The financial plan represents the medium spend option. The financial systems to be employed to monitor and manage the spend are not described; and the earlier recommendation from other consultants to develop specific ‘rules of engagement’ that would encourage interest from the private sector has not as yet been followed through. In overall terms, however, the Pathfinder is intending to move to a competitive commissioning process; to devolve budgets to project managers; and to use exception reporting, with increased monitoring for non-performance, to keep track of expenditure. The councils are to take the lead on producing individual business plans for the four AFs. The performance of the Pathfinder itself will be reviewed formally each year by Government, and Urban Living is contemplating using independent reviews to supplement its own preparations for this.
- 184 In conclusion, the Pathfinder has to date produced a data-rich financial model that can be queried in a variety of ways. Its financial plan does not, however, make best use of the data available to it. In particular the call on anticipated market renewal resources is not adequately disaggregated, to the point that any analysis of the Pathfinder’s intentions is severely limited, although the overall balance of the total investment appears sensible. As with many of the other pathfinders, Urban Living’s approach to assessing value-for-money, including displacement and additionality, is underdeveloped, and its procurement and financial processes are not yet finalised. This aspect of the Pathfinder’s submission has, therefore, currently more areas for improvement than strengths.

## Outcomes

- 185 Market renewal pathfinders need to establish clear outcomes for their programmes, informed by the key drivers identified. These should be underpinned by measurable objectives and targets, against which progress can be assessed.
- 186 Urban Living has clearly focused its targets around the mandatory Government indicators established for all pathfinders. As a result of this its targets are strongly output-led, with a weaker focus on outcomes that may in turn relate back to a lack of clarity around some of its objectives (see paragraph 139). Within the prospectus there is a condensed table that shows columns of outputs and outcomes set out alongside objectives. This includes some additional complementary housing and non-housing targets which are specific to this Pathfinder. It also, however, highlights a confusion between outcome and output indicators, and a weakness in some of the inferred associations between them.

- 187 Not all of the Urban Living objectives are equally well provided with targets for assessment. For example, there are no outputs that demonstrate achievement in improving the sustainability of the urban form, and only one related to the creation of conditions for growth and private sector investment. The links to identified market drivers, and sometimes also to the anticipated market impacts of targets, are not always apparent. In addition there are too many cited outputs that are also somewhat confusingly said to be 'not specifically included' as target outputs (17 out of 25 in total). Since most of these are outputs that the Pathfinder itself would not deliver, the question is raised as to whether or not they have been formally agreed with partner organisations. This will need to be substantiated, since joint ownership of targets provides additional reassurance that they will ultimately be achieved. Responsibility for meeting the targets can then also be more specifically assigned.
- 188 While the Pathfinder has assembled output targets for its lifetime, for nearly half of the indicators listed in its performance management framework these have not been broken down further. As a result of this the difficulty found in the prospectus with determining the impact expected from Urban Living's early programme is reinforced (see paragraph 189). A useful table is however provided in the financial plan which illustrates, for the mandatory indicators, the proportion of target outputs left to be found through additional projects, and the proportion already secured. With the exception of refurbished homes, some two thirds of final outputs are shown to be already accounted for.
- 189 What is less apparent is just how some of the Pathfinder's core targets have been derived – for example the 30 per cent affordable ratio for new-build developments, or the 65 per cent target for owner occupation. Moreover it is likely that the anticipated key outcome of 10 per cent additional population growth will prove difficult to achieve. This target, which relates to others including the number of new homes to be built, seems to have been projected forward from 2001 Census figures without the rate of population loss (-1000 people on average per year between 1991 and 2001), or the anticipated demolitions, being factored in. Even assuming that the Urban Living is highly successful from the outset in persuading residents to stay in the area (halving and continuing to halve out-migration in each stage of the programme), and that 50 per cent of relocated tenants choose to stay too, the Pathfinder would still need to attract some 30 per cent of all projected household growth for Birmingham and Sandwell to 2021 in order to meet its target. This is clearly ambitious, and if it is to be achieved will need to be explicitly supported by both councils through the prioritisation of Pathfinder sites over alternative supply.
- 190 Baselines for the output targets are not currently consistently provided, so that the net impact to be achieved can not always be determined. The main housing outcomes anticipated from Pathfinder interventions have been described previously (see paragraph 140). With the balance of spend, they reflect the emphasis required by Urban Living on stabilisation and the (re)development of site opportunities. The table overleaf shows the main outputs anticipated, apportioned by tenure.

	Owner occupation	Shared ownership	Private rented sector	<b>Total Private Sector</b>	Council housing	RSL housing	<b>Total Social Housing</b>
Stock share (CURS)	53%	-	10%	<b>63%</b>	23%	14%	<b>37%</b>
Refurbishment (units)	53%	-	10%	<b>63%</b>	23%	14%	<b>37%</b>
Acquisition & demolition (units)	44%	-	8%	<b>52%</b>	36%	12%	<b>48%</b>
New-build (units)	70%	20%	-	<b>90%</b>	-	10%	<b>10%</b>

- 191 Refurbishment investment has it seems been allocated in line with stock share – the strategic reasoning behind this decision is not provided.
- 192 Over the first two years the main outputs from the Urban Living Pathfinder are anticipated in the prospectus as: the acquisition of some 1,160 properties and demolition of 520, with 900 people receiving home loss/disturbance payments and 300 helped through the ‘clearance and relocation project’. A further 200 properties are to be refurbished/improved, 19 hectares of land acquired and 240 new homes built. As previously mentioned there are no outputs for the complementary programmes, and although a substantial 12,800 homes are to benefit from ‘active neighbourhood’ measures these are not specified. It is also not evident what the 3,200 people benefiting from the ‘grant schemes/ homeowner support’ will actually receive. The Pathfinder can expect to have to clarify its intentions here.
- 193 While the opportunity costs associated with collecting data are acknowledged, it is important for pathfinders to make sure their effort is focused on measuring the right things. The prospectus states, for example, that relatively low levels of household incomes and recent expansion of the private rented sector locally are key concerns. Urban Living will need to review its work to ensure factors such as these are incorporated into its monitoring systems, and associated with specific targets too. CURS are advising the Pathfinder on how to refine its future approach to monitoring and evaluation, and target selection will be considered as part of this work.
- 194 Urban Living is clearer about specifying its soft data targets, connecting them to specific satisfaction questions which it intends to research and update annually. It has also aggregated project-level outputs to provide an AF-level breakdown of targets. Overall what is not clear, however, is that the outcomes and targets set have been driven by strategic policy grounded in sound information and analysis, as opposed to being opportunity driven by land availability and optimistic growth assumptions.

- 195 Three alternative scenarios were appraised for the Pathfinder prospectus at the whole-programme level. It is not likely that this was a sufficiently rigorous exercise, since the Pathfinder had already determined its twin-track strategy by then. The decision taken that a mixed proactive and preventative approach should be supported was perhaps therefore inevitable - little detail of the process is provided, but no status quo scenario was evaluated. Appraisal of alternative options was only attempted in two of the four AFs, and was also not rigorous. However Urban Living is now intending to incorporate scenario testing into its project appraisal processes, including reviewing existing projects to see whether they represent the optimal option for delivery of the intended outcomes. This question will need to be asked at higher programme levels too.
- 196 In conclusion we found that the Pathfinder has constructed a basis for evaluation of outcomes that is focused on Government requirements, and on measurable output targets. Not all of the Urban Living objectives are equally well covered, and some of the outputs require additional clarification and/or determining for the short-term. It is not clear that complementary targets have been adopted by partners, and population growth assumptions are likely to be ambitious. The Pathfinder recognises the need to refine its systems for the future, and has commissioned consultants to help it with this. As it stands this aspect of the Pathfinder's submission has, on balance, more areas for improvement than strengths.

## Governance

- 197 Pathfinders need to be accountable to their funders, stakeholders and to residents for their performance. They need to agree respective roles and responsibilities with partners, and ensure that skills and capacity match the task in hand.
- 198 Urban Living's Partnership Forum has been appointed by the two councils, and its predominantly public sector membership has had a shaping effect on its agenda and programmes. Relationships between members have been positive, and the Forum has operated on an informal basis to date without invoking its formal voting arrangements. A concise constitution and clear terms of reference have guided the Forum, and regular attendance by council Leaders and other senior organisation representatives has demonstrated a high-level commitment to its work.
- 199 In general terms then governance arrangements to date have proved to be fit for purpose. However there is no document that defines the formal relationship of Sandwell MBC to the Forum as its accountable body, and this needs to be addressed now. There has also been no formal consideration to date of whether or how Urban Living is to be made accountable to local residents – for example if any of its meetings will be open to the public, and if representations from residents are to be received. As the Pathfinder moves forward into implementation, the transparency of its future decision-making will need to be reconsidered.

- 200 Governance of Urban Living is expected to change significantly to take account of the proposed Cross-Authority Partnership arrangements. Once established it is anticipated that the CAP will become the 'sovereign body' for the Pathfinder, and inherit the Pathfinder Forum's terms of reference – including setting the strategic direction for Urban Living and delivering both the core and complementary programmes. Under this arrangement the prospectus says that the Forum will then become a 'networking partnership', with a wider stakeholder membership, where market renewal and delivery issues can be discussed. It has, however, been separately suggested that the Partnership Forum will retain its current status as an unincorporated board for the Pathfinder. This needs to be clarified.
- 201 Under either scenario questions remain about Urban Living's envisaged relationship with the CAP. The Pathfinder is essentially an area-based initiative, but will be treated differently from the other constituent ABI members of the CAP in that it will have its finances and objectives directed (as opposed to simply 'aligned') through the CAP arrangements. No justification for this distinction is given. It is not clear either how the required focus on housing market renewal will be retained and promoted through arrangements established primarily to promote improvements in public service delivery, or that the CAP's membership will offer the appropriate mix of skills and experience to guide the Pathfinder's development. Finally there are potential conflict of interest issues here, with CAP members set to procure future projects and services for Urban Living which their organisations currently almost exclusively supply in the envisaged early programme. Under the CAP arrangements members would in effect be currently selecting, managing, paying and evaluating themselves.
- 202 Beneath the CAP/Partnership Forum level proposed future arrangements are unchanged. A Joint Executive Group, comprising senior council directors and the Urban Living director, is to be responsible for the ongoing strategic management of the Pathfinder programmes. The Urban Living core teams (for strategy and delivery), and the respective council delivery 'teams', report through to this group. In the description of CAP, Forum, Executive Group, Urban Living and council team remits there is apparent extensive duplication and/or blurring of responsibilities. These remits need to be more clearly differentiated now, with information on lines of authority strengthened in particular, as part of a revised and expanded constitution for the Pathfinder (that takes account of future governance arrangements). It will be important to establish that delivery agents and partners are adequately accountable to the Pathfinder for the spend and performance they are delivering on its behalf.
- 203 In terms of its own management arrangements, Urban Living has set out a 'project framework' that details how its planned systems will dovetail to ensure effective development, appraisal, commissioning, monitoring and evaluation of Pathfinder projects. This is a sensible approach, but it remains a concern that so many of the Pathfinder's systems are still being developed or are yet to be finalised – including its risk, procurement, financial, performance management and monitoring arrangements. This means that there is limited scope to assess whether or not internal governance will be sophisticated enough to respond to what is described as a rapidly changing housing market, ensuring the Pathfinder will be kept on-track to meet its desired outcomes.

- 204 To conclude, the work of the Pathfinder to date has been carried out in a constructive and positive spirit. Existing structures are set to continue for the interim, but there are significant issues associated with proposed future governance arrangements and the incorporation of the Pathfinder into the CAP that need immediate re-examination. Respective remits for the 'layers' of management and delivery envisaged need to be clarified, and lines of accountability strengthened. The Pathfinder's own management systems have been outlined, but are not yet fully developed and ready for implementation. Overall, therefore, governance is an aspect of the Urban Living Pathfinder where there are currently more areas for further development than there are strengths.

## Conclusion

- 205 Market renewal is a complex initiative to understand, design and deliver. This report is intended to help the pathfinder in its subsequent development, and as such its focus tends to be on areas for improvement. This focus and the resulting recommendations are not intended as criticisms of the Pathfinder, but are rather intended to indicate areas of opportunity for further improvement.
- 206 The Birmingham Sandwell Pathfinder is a complex area, and successfully lifting the housing markets here poses a significant challenge. Although the detail is currently underdeveloped, the Pathfinder's prospectus sets out some clear and interesting directions for tackling the task and demonstrates that, in terms of relative opportunity, it is well-placed to fulfil its aspiration of taking an overall approach that is clearly market-oriented.

## Summary of theme strengths/areas for further development

Theme	Grade	Strengths	Areas for further development
Information base	B	<ul style="list-style-type: none"> <li>• Good, comprehensive and reliable hard data baseline;</li> <li>• GIS mapping and data provided to output area for further manipulation;</li> <li>• basic soft data baseline;</li> <li>• views of existing and emerging households differentiated, and perceptions survey of nearby residents; and</li> <li>• focused research into asylum seeker and refugee housing needs.</li> </ul>	<ul style="list-style-type: none"> <li>• Methodological issues with reliability/representativeness of some data;</li> <li>• no analysis of (sub)market characteristics or trajectories; and</li> <li>• some data gaps – including supported housing needs, social housing context, and target market sectors.</li> </ul> <p><b>Recommendation 1</b></p>
Impact on adjacent areas	C	<ul style="list-style-type: none"> <li>• Some reference in risk register to adjacency impacts; and</li> <li>• consideration of deadweight, leakage and displacement impacts in relation to newbuild.</li> </ul>	<ul style="list-style-type: none"> <li>• Use of technical guidance, with limited relevance, to assess adjacency;</li> <li>• potential sensitivity and impacts not articulated;</li> <li>• no systems in place to assess adjacency, and no consideration of regional role/input here; and</li> <li>• implications of growth area and other regional studies not considered.</li> </ul> <p><b>Recommendation 2</b></p>

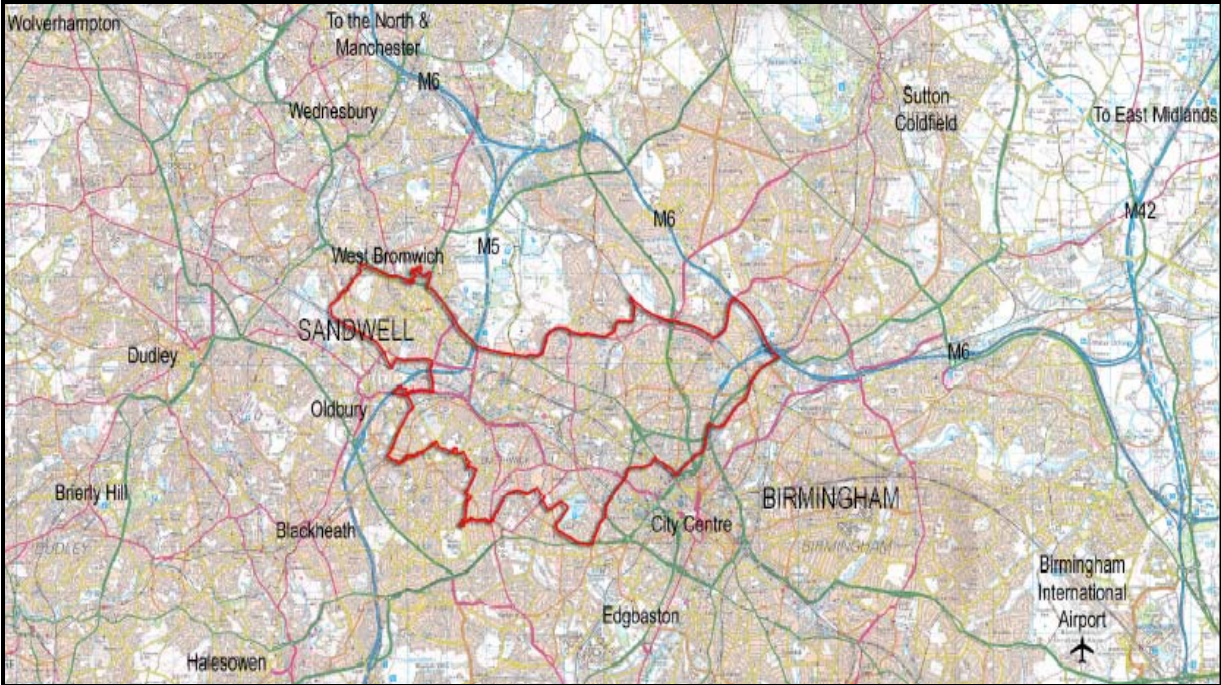
Theme	Grade	Strengths	Areas for further development
Stakeholder involvement	B	<ul style="list-style-type: none"> <li>• Public sector partners and key regeneration funders engaged;</li> <li>• largest ABIs engaged;</li> <li>• themed workshops organised by partners;</li> <li>• joint work by RSLs on Pathfinder implications; and</li> <li>• lenders and developers engaged.</li> </ul>	<ul style="list-style-type: none"> <li>• ABIs not comprehensively engaged; and</li> <li>• voluntary and community sector not actively involved with the Pathfinder.</li> </ul> <p><b>Recommendation 3</b></p> <ul style="list-style-type: none"> <li>• Estate agents and private sector landlords not actively involved with the Pathfinder.</li> </ul> <p><b>Recommendation 1</b></p>
Drivers	C	<ul style="list-style-type: none"> <li>• Pathfinder supply snapshot and capacity estimates for allocated/ derelict sites; and</li> <li>• potential niche housing markets within the Pathfinder identified.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited list of drivers;</li> <li>• currency of drivers not clearly established;</li> <li>• economic forecasts non-specific and income consequences not clear;</li> <li>• poor performance and market impacts of cited services not substantiated;</li> <li>• partial supply context only;</li> <li>• cited sources of demand not quantified/substantiated;</li> <li>• gaps on affordability and viability of social housing sector;</li> <li>• inter-relationships and relative priority of factors not established; and</li> <li>• no scenario/sustainability mapping.</li> </ul> <p><b>Recommendations 4, 5 &amp; 6</b></p>

Theme	Grade	Strengths	Areas for further development
Solutions	C	<ul style="list-style-type: none"> <li>• Area Frameworks provide good depth of potential projects;</li> <li>• detailed information on tools to be used, some examples of early innovation and piloting of new loan products;</li> <li>• regional alignment of housing/planning policy, and RPG changes to favour the Pathfinder;</li> <li>• CAP proposal to align ABI and mainstream services with Pathfinder;</li> <li>• initial risk register in place and links into project appraisal made;</li> <li>• over-programming and contingencies built in, and partners familiar with delivery tools to be used;</li> <li>• links between sustainability and design quality established; and</li> <li>• housing gap funding mechanism being developed with CABE and English Partnerships.</li> </ul>	<ul style="list-style-type: none"> <li>• Some crossover/variation in strategic objectives.</li> </ul> <p><b>Recommendation 7</b></p> <ul style="list-style-type: none"> <li>• Rationale for active neighbourhoods selection criteria not substantiated.</li> </ul> <p><b>Recommendation 8</b></p> <ul style="list-style-type: none"> <li>• No agreed projects for some programme elements, and unclear if funding for AF non-housing projects secured;</li> <li>• proposals for urban living in West Bromwich untested, and emphasis on route-led development; and</li> <li>• potential cross-over with councils' housing roles, and more proactive promotion of housing pathways required.</li> </ul> <p><b>Recommendation 9</b></p> <ul style="list-style-type: none"> <li>• proposals not well linked to information base or drivers, and no analysis of strategic synergy / policy gaps;</li> <li>• no critical path of risks, mitigation detail not robust and construction industry capacity issues not clearly addressed.</li> </ul> <p><b>Recommendation 10</b></p> <ul style="list-style-type: none"> <li>• Full staffing structure not yet agreed and projects not yet fully appraised;</li> <li>• delivery agreements and project management systems not yet in place;</li> <li>• loss of original more 'commercial' focus, links with URC not yet well developed; and</li> <li>• no definition of housing market sustainability and sustainability of investment not fully explored.</li> </ul> <p><b>Recommendations 11 &amp; 17</b></p>

Theme	Grade	Strengths	Areas for further development
Community	C	<ul style="list-style-type: none"> <li>• Basis for future community engagement strategy established – with some interesting ideas; and</li> <li>• early programme informed by results of previous consultation exercises.</li> </ul>	<ul style="list-style-type: none"> <li>• Little consultation/engagement with communities to date;</li> <li>• implied issues of local cynicism, consultation fatigue and conservatism that could impact on delivery;</li> <li>• engagement of severely marginalised communities not fully explored; and</li> <li>• no consultation yet with target housing market groups.</li> </ul> <p><b>Recommendation 12</b></p>
Resources	C	<ul style="list-style-type: none"> <li>• Financial plan and flexible model in place;</li> <li>• overall balance between housing and non-housing expenditure in line with Government expectations;</li> <li>• letters of support from some main funding partners; and</li> <li>• some sensitivity analysis of benchmarked costs.</li> </ul>	<ul style="list-style-type: none"> <li>• No links established between spend and achievement of objectives; and</li> <li>• total spend only provided – not therefore possible to determine what the market renewal investment buys.</li> </ul> <p><b>Recommendation 13</b></p> <ul style="list-style-type: none"> <li>• No outputs for some areas of allocated spend;</li> <li>• no financial indicator targets, and approach to value for money is under-developed; and</li> <li>• additionality achieved is unclear, and displacement is not shown to have been avoided.</li> </ul> <p><b>Recommendation 14</b></p> <ul style="list-style-type: none"> <li>• No procurement strategy in place;</li> <li>• tensions between some plan assumptions and Best Value requirements; and</li> <li>• full funding context for Pathfinder is not established, and some inconsistencies in base cost figures.</li> </ul>

Theme	Grade	Strengths	Areas for further development
Outcomes	C	<ul style="list-style-type: none"> <li>• Measurable output targets specified, including at Area Framework level;</li> <li>• table showing proportion of outputs secured to date through project pipe-line;</li> <li>• consultants employed to advise the Pathfinder on the future monitoring and evaluation systems; and</li> <li>• scenario testing to be incorporated into project appraisal.</li> </ul>	<ul style="list-style-type: none"> <li>• Weaker focus on outcomes, and some confusion between output and outcome indicators;</li> <li>• not all objectives equally covered and links to drivers not clear;</li> <li>• too many outputs still to be agreed or 'not specifically included';</li> <li>• net impacts anticipated and short-term targets often not clear;</li> <li>• unclear how key targets were derived, and growth target unlikely to be achieved;</li> <li>• some key issues not measured and shared ownership of targets with partners not demonstrated; and</li> <li>• programme-level appraisal of options/outcomes not rigorous.</li> </ul> <p><b>Recommendation 15</b></p>
Governance	C	<ul style="list-style-type: none"> <li>• Arrangements to date have been fit for purpose;</li> <li>• clear terms of reference have guided the Forum; and</li> <li>• sensible 'project framework' planned for future management of programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• Relationship with the accountable body undefined;</li> <li>• accountability to residents not encompassed;</li> <li>• proposals for Cross-authority Partnership as sovereign body need further consideration;</li> <li>• future role of Partnership Forum unclear;</li> <li>• lines of authority and accountability need clarifying; and</li> <li>• programme management systems are not yet in place.</li> </ul> <p><b>Recommendation 16</b></p>

### Appendix 1: Map



## Appendix 2: List of documents considered during the scrutiny process

- ◆ 'Urban Living' – the prospectus for the Birmingham Sandwell Pathfinder, with its separate annexes, tool-kit and financial plan;
- ◆ Area Frameworks – for Aston/Lozells/Newtown, Soho/Handsworth, West Bromwich/Greets Green and Smethwick, with their background documentation;
- ◆ suite of primary research reports commissioned by the Pathfinder;
- ◆ National and regional strategies including Regional Planning, Sustainability, Housing, Economic and Transport strategies;
- ◆ Local strategies including Community Plans, Unitary Development Plans, Economic Strategies, Housing Strategies and research, Neighbourhood Renewal Strategies, Crime and Disorder Partnership reports, and specific plans for schools, health, and learning and skills initiatives; and
- ◆ Area based initiatives key documents, including for the SRB6 programmes in Birmingham and Sandwell, SRB4 in Sandwell, the Arc of Opportunity Regeneration Zone, and the Greets Green and Aston New Deal for Communities projects.