

Scrutiny Report

February 2004



Market Renewal

NewHeartlands 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 and Newcastle under Lyme)
- ◆ Manchester and Salford
- ◆ Merseyside (Liverpool, Sefton and Wirral)
- ◆ Oldham and Rochdale
- ◆ 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.

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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.

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Summary

- 1 The Merseyside Pathfinder ('NewHeartlands') is the third Market Renewal Pathfinder to complete its Prospectus which was received by the Audit Commission in November 2003. This report presents an assessment of the prospectus against the Audit Commission's scrutiny framework for Market Renewal Pathfinders, which was agreed by the Pathfinders themselves and the ODPM in March 2003. Planning work was already well underway in Merseyside by this time, but most of the preparation of the prospectus itself has been in the knowledge of the framework. From May onwards the Audit Commission also made 'critical friend' support available to the pathfinder.
- 2 This report identifies a number of areas where the Audit Commission thinks that further work needs to be carried out. These recommendations should not be seen either as criticisms of the Pathfinder or justification of whether particular levels of Market renewal funding are required or not. They are areas of opportunity to improve the base position, better understand the drivers of market change and their impact on solutions and how outcome targets could be used to track change. The intention is to ensure that there is a clear understanding of what the current problems are and how they are to be addressed, leading to outcome targets which facilitate programme monitoring.
- 3 The key question for scrutiny and assessment of the Prospectus is, will the proposals set out by the Merseyside Pathfinder lead to the Pathfinder areas becoming a series of sustainable communities over the next ten to 15 years?
- 4 Housing markets are by their nature complex, and it is difficult to say at this stage with certainty that any set of proposals will succeed in restoring market confidence. In making a judgement as complex as this, account needs to be taken of the risks involved, the management arrangements, the track record of the partners and dependency on them, the level of ambition, as well as the delivery vehicles to be deployed. The key to successful delivery is likely to be in managing the risks effectively and being flexible in fine tuning or redefining the vision and objectives in the light of change outside the control of the Pathfinder.
- 5 The challenges faced by the Merseyside sub-region have been particularly acute. De-population and the associated socio-economic factors have combined to create both conditions of multiple deprivation and an unfavourable climate for housing investment.
- 6 The overall approach adopted by NewHeartlands recognises that neighbourhoods within the area have differential levels of need and a wide range of drivers. In Liverpool the aim is an ambitious one - to begin to attract new residents and increase the population. In Sefton and Wirral, however, the emphasis is on population stabilisation and retention to create viable communities. A tightly focused-range of measures is proposed for the first three years with investment mainly concentrated on demolition, site assembly, capitalising on existing regeneration hubs, management of neighbourhoods experiencing transition and support for homeowners. Longer term activities will also include demolition of obsolete housing, replacement with new housing, improvements to housing which remains and environmental improvements.

- 7 The Pathfinder has assembled a wealth of data to inform its strategy development - most of which is used to specifically analyse the housing market and its characteristics. Generally, it forms a comprehensive base to understanding the individual local areas and their circumstances, and many of the principal drivers around the housing market with the exception of migration patterns, as well as presenting a clear picture of the scale of the challenges faced by NewHeartlands. Information would benefit from collating, aggregating and analysing at the Pathfinder level to create a comprehensive NewHeartlands baseline against which progress can be measured. The prospectus has not really taken the chance to use 'people-related' data in the way that it might have done. The Pathfinder recognises the need for programme alignment and has sought to build on success elsewhere but what is not clear is how far there has been any systematic attempt to learn and apply lessons from delivery of previous regeneration in the sub-region in order to make the NewHeartlands Housing Market Renewal Pathfinder programme more effective.
- 8 There is acknowledgement of the importance of the impact of both Planning policies and 'competing' activity in the sub-region and beyond on the NewHeartlands area, but no analysis of the exact dynamics of how those factors impact.
- 9 There are well developed plans to formally engage key Registered Social Landlords (RSLs) and private house-builders through formal partnering arrangements. It is intended that private landlords will be drawn in through the Accreditation Scheme and that new Forums will be developed to facilitate closer joint working with RSLs, the private sector and private landlords. A detailed stakeholder analysis has been completed.
- 10 The Pathfinder has identified a wide-range of factors associated with potential market failure or success. The Liverpool Asset Management Project model currently being enhanced will potentially help to develop this understanding although the model is not fully developed, nor does it yet represent a fully operational Pathfinder-wide tool for mapping and monitoring drivers. There is no clear understanding of either the relative importance of individual drivers or how they interact and combine to influence housing markets. This will inevitably make it more difficult both to justify the selection of particular interventions, to predict their likely impact on the revitalisation of housing markets in NewHeartlands and to measure progress as the scheme's delivery progresses. Further work would help to justify the assumptions which form the basis of key proposals to grow Liverpool's population.
- 11 The Pathfinder's overall vision and goals are clearly defined with recognition of the need for a 'holistic' approach to the rejuvenation of areas experiencing low demand but there is little evidence of a co-ordinated joined-up strategic response to the deep-seated issues impacting upon housing market failure in the NewHeartlands area. Work is underway to secure support from key complementary programmes and players to achieve this. A number of the approaches proposed have been tried and tested within the three local authorities through previous regeneration initiatives whilst other have yet to be developed to the extent they can be delivered.

- 12 The approach would benefit from a clearer definition of how the various settlements and neighbourhoods which comprise the NewHeartlands target area would 'fit together' and complement one another. The approach would also be strengthened by greater emphasis on identifying and tackling the major drivers which can be influenced in the long, medium and short-term as the basis for determining appropriate interventions. There are tools and site-specific proposals which have potential to deliver transformational change. There is insufficient importance given to identifying and measuring the genuine additionality which Market Renewal funding will create and there is little evidence of a systematic approach to option appraisal except at the very local level. The Pathfinder clearly recognises the importance of a joined up approach to creating sustainable communities and has plans to work towards this through better targeting of mainstream services. Major risks have been identified and a more formalised risk management methodology is currently being developed.
- 13 The Pathfinder has set itself matched funding targets which it will be required to secure both in the short and long-term to deliver the NewHeartlands programme in the way envisaged. For the programme to be successful it will have to attract significant levels of private sector investment. As is to be expected early on in a 10/15 year programme the majority of both public and private complementary investment has yet to be secured. The exact complementary relationships between Market Renewal Fund and other funding is not clear in terms of how it has been decided what each will support.
- 14 Activity within early years of the programme will be concentrated on areas where proposals are further developed. The Pathfinder recognises the importance of securing value for money and of open and fair procurement. This and detailed proposals for appraisal and monitoring would benefit from being enshrined within a written and agreed Pathfinder Procedures methodology. The programme up to 2006 will require £568million -a considerable investment and will rely heavily on the ability to acquire/demolish properties and assemble strategic sites. It is not clear whether this is realistic within the prescribed timescales or what contingencies are in place when problems occur. The Pathfinder has developed procedures flowcharts which describe the path to be taken towards the redevelopment of sites and the local authority partners have a good track record of delivering complex regeneration programmes. There has been some importance placed on addressing skills capacity within the delivery agencies themselves. The approach to growth outlined within the Liverpool part of NewHeartlands and its Core Cities prospectus are founded on assumptions which require further exploration.
- 15 There is evidence of a comprehensive network of existing engagement structures which should prove to be a valuable resource in facilitating community involvement. Use of existing mechanisms should also help to encourage a broader cross-initiative response to the needs of local communities. There is clear commitment from the Pathfinder to making it work effectively. Clear responsibilities and resources for ongoing engagement have been formalised through a Communications Strategy.
- 16 In respect of governance and accountability, the Partnership is not a formal legal entity and relies almost exclusively on the three local authorities to exercise its duties. Each local authority uses its own existing governance arrangements. There is not any representation on the Pathfinder Board from either the private sector or community organisations. However, the Pathfinder recognises these deficiencies itself and has some proposals which if implemented ought to make the governance process much more robust.

- 17 Short and medium-term output targets need to be more fully developed. Pathfinder-wide baselines and outcome measures need to be made more explicitly in terms of actual numbers. However, the Pathfinder recognises the principles behind effective monitoring and evaluation and the issues which will need to be addressed in developing an appropriate system.
- 18 The Merseyside Pathfinder's overall vision and aspirations for the NewHeartlands area and its commitment to the communities who live there are not in question. In addition a number of the overall approaches outlined by the Pathfinder have the potential to deliver the transformational change which is required and which local people deserve. However, what is also clear is that there are a number of areas the Audit Commission has identified as needing further work to facilitate development of a truly robust approach.

Recommendations

- 1 Implement a NewHeartlands Pathfinder-wide system which clearly identifies and explains the inter-relationship between the main drivers impacting upon local markets and which can be used to monitor those dynamics over time (*timescales to be agreed with Pathfinder*).
- 2 Complete an assessment of the growth strategy outlined, within the context of:
 - ◆ an analysis of population and household projections within the pathfinder area, and the broader sub-region, taking into account a range of possible economic scenarios, and a range of housing supply scenarios;
 - ◆ clear information about the existing supply of housing land in the sub-region, including planning permissions already granted but not built out, along with an analysis of the potential impact of a range of possible land use strategies on the distribution of population;
 - ◆ market research both with existing residents living within and prospective residents currently living outside the pathfinder area. This should be aimed at understanding their needs, aspirations and attitudes to the area including identifying what would encourage them to either to remain within or relocate to NewHeartlands;
 - ◆ an examination of the phasing of the proposed redevelopment programme in relation to improvements in services and infrastructure, particularly in respect of transport, education and crime reduction;
 - ◆ a thorough assessment of the potential displacement effects of the proposed programme within the pathfinder area, within the three local authority areas, and the broader sub-region;
 - ◆ an assessment of the needs and aspirations of BME communities within the target area; and
 - ◆ avoiding exacerbating market weaknesses elsewhere

(*timescales to be agreed with Pathfinder*).

- 3 In the light of this analysis, develop:
 - ◆ realistic objectives for population change;
 - ◆ a clear view of the role that different parts of the pathfinder area will play in the broader housing market; and
 - ◆ if necessary, revised redevelopment proposals to support the above.
- 4 Given the scale of redevelopment expected, undertake masterplanning at a broad level, in addition to the neighbourhood masterplanning exercises proposed in the prospectus. This could form part of the preparation of Local Development Frameworks, and timescales would be negotiated, as part of the agreement, on this basis. It should include coherent Critical Paths demonstrating the route to revitalised housing markets in the NewHeartlands area *(to be implemented within six months)*.
- 5 Undertake work through ongoing development of the Strategic Integrated Investment Frameworks to identify how both the NewHeartlands strategy and its delivery on the ground will be aligned with other key strategies particularly transport, education and crime reduction *(to be implemented within six months)*.
- 6 Develop a comprehensive Risk Management Strategy with clear ownership at Board level which should include as a minimum:
 - ◆ details of risks categorised by type;
 - ◆ an identification of the extent to which each risk is key to successful delivery of the programme;
 - ◆ timescales of that risk, whether short, medium, or long-term;
 - ◆ quantification of the likely occurrence of that risk;
 - ◆ to identify how that potential risk can be reduced and whose responsibility it will be to manage it;
 - ◆ to assess the residual risk notwithstanding management measures; and
 - ◆ details what contingencies are in place if that risk does actually prove to have a detrimental impact on the programme*(to be implemented within six months)*.
- 7 Further develop an approach to the use of neighbourhood management interventions which sets out clearly how these will be used to support the programme, the contribution of mainstream services and resources, and implications for succession strategies and sustainability *(to be implemented within 12 months)*.
- 8 Complete and implement the current review of Governance arrangements to include formal legal agreements between the main partners, broader board representation, greater clarity of roles and responsibilities to differentiate between the Pathfinder Board, the Co-ordination Team and the individual local authorities *(to be implemented within three months)*.
- 9 Develop both consistent and coherent short and medium term output targets and Pathfinder-wide outcome targets *(to be implemented within three months)*.
- 10 Produce a forward strategy for the pathfinder area. This should include consideration of what will happen to proposed additional revenue funded services supported by market renewal funding when this is no longer available. It should also consider appropriate arrangements for ongoing maintenance in order to protect the considerable levels of investment proposed by the Pathfinder *(to be implemented within 12 months)*.

- 11 Develop a framework for option appraisal in respect of potential interventions which should be based on pre-determined, clearly-defined criteria derived from:
 - ◆ an explicit analysis and understanding of lessons learnt from previous regeneration programmes including;
 - ◆ value for money considerations;
 - ◆ capacity and deliverability considerations
 - ◆ the genuine additionality they will bring; and
 - ◆ an objective assessment of how such interventions will help to achieve the Pathfinder's strategic objectives (*to be implemented within six months*).
- 12 Further develop the Strategic Integrated Investment Frameworks for Liverpool, Sefton and Wirral to identify a clearer inter-relationship between them and the overall strategy and key objectives for NewHeartlands (*to be implemented within six months*).
- 13 Develop a bespoke written and agreed Procedures Methodology for the Pathfinder to include details of processes relating to financial management, *procurement and value for money, project appraisal, monitoring and evaluation (to be implemented within six months)*.

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Introduction to the Pathfinder

- 19 The Merseyside Pathfinder ('NewHeartlands') essentially covers the inner core of the Liverpool-centred conurbation in the North West of England. NewHeartlands comprises three neighbouring Local Authority Areas either side of the River Mersey - Liverpool, Sefton and the Wirral. Together these include nearly 123,000 properties, of which Liverpool accounts for nearly 62 per cent; and Sefton and Wirral approximately 19 per cent each.
- 20 Activity in Liverpool focuses on Kirkdale, Anfield/Breckfield, Kensington, Granby, Lodge Lane and Dingle. In Wirral it is focused on Birkenhead, Tranmere and Seacombe, but includes parts of Bidston and Liscard. In Sefton it includes Church, Derby, Linacre and Orrell, along with parts of Ford and Litherland.
- 21 The sub-region has experienced substantial decline over the last 30 years. Over the period 1991-2001 alone Merseyside has seen a net population loss of over 80,000 or 6 per cent. In 2002 just over 31 per cent of the population was economically inactive compared with a UK rate of 21 per cent. However more recent signs have been encouraging. In 2002 unemployment was down to 5.7 per cent from 12.5 per cent in 1996. Although this was still above the 3.1 per cent averages for the UK and 3.5 per cent for the North West for the same period it represented the lowest rate since the early 1970s.
- 22 The Pathfinder target area has a disproportionate amount of poor quality terraced housing and social rented stock much of which was built to house workers in the then thriving port-related industries in Liverpool and Birkenhead. Taken in conjunction with a generally poor environment, low educational attainment and high crime levels the NewHeartlands area exhibits all the classic symptoms of multiple deprivation.
- 23 One of the responses has been to establish a NewHeartlands Board in August 2002, primarily a partnership between Liverpool, Sefton and Wirral local authorities. It has an independent Chair, John Glester - former Chief Executive of Central Manchester Development Corporation, appointed in February 2003. It also includes representatives from the three partner local authorities as well as from advisory and stakeholder organisations.
- 24 The Board has prepared a Prospectus outlining proposed renewal of the target area over a 15 year period. Its vision is to:

'stabilise the NewHeartlands areas with a diverse range of tenures house values and household income groups. Every household will have access to a home of high standard in neighbourhoods with high quality physical environments which are provided with a range of employment opportunities and good quality health education and other services'.

25 This vision is supported by four main goals:

- to create the conditions for the revival of housing markets in the NewHeartlands area;
- to create attractive and sustainable urban neighbourhoods through the delivery of a more balanced mix of housing, with values and types to meet the needs of the existing population and which help attract new residents;
- to build sustainable communities, ensure community cohesion and safeguard investment through the provision of quality public services and through the development of supporting infrastructure; and
- to contribute to the competitiveness and prosperity of the wider Merseyside conurbation and the North West region.

26 The overall approach recognises that neighbourhoods within the NewHeartlands area have differential levels of need and a wide range of drivers. In Liverpool the aim is an ambitious one, to begin to attract new residents and increase the population. In Sefton and Wirral, however, the emphasis is on population stabilisation and retention to create viable communities. A tightly focused-range of measures is proposed for the first three years with investment mainly concentrated on demolition, site assembly, capitalising on existing regeneration hubs, management of neighbourhoods experiencing transition and support for homeowners. Longer term activities will also include demolition of obsolete housing, replacement with new housing, improvements to housing which remains and environmental improvements.

27 The NewHeartlands bid is for £672.7million of Market Renewal funding over 15 years of which £137.3million would be for the first three years. The Pathfinder predicts that this funding for the first three years would be complemented by £431million of matched funding from other sources including the private sector.

28 This report is a scrutiny of that Prospectus and its supporting documentation.

Analysis of the diagnosis of the current position

Information base

- 29 A thorough examination of the current position is essential to understand the context within which the housing market is operating, to establish a baseline against which future changes can be measured, and to draw out potential drivers that have led to housing market failure. With the exception of the Audit Commission's own Scrutiny Framework and the Specimen Scheme Framework agreed by the Pathfinders themselves, there is no set methodology for a pathfinder area to produce its prospectus by. Each has been encouraged by the ODPM to produce a robust, innovative document that addresses how it will facilitate renewal of failed housing markets and the wider aims of creating sustainable communities.
- 30 The prospectus and the three associated Strategic Integrated Investment Frameworks ('SIIFs') for Liverpool, Wirral and Sefton contain a generally comprehensive information base, using data from a number of different sources. As the pathfinder areas are not aligned to traditional boundaries, the task of collecting and using the most relevant information and establishing a baseline is not an exact science in the way that collecting it for a local area would be, and there are therefore a number of potential ways this could be achieved
- 31 In setting out its information base, the prospectus relies in the main on data from recent consultants reports, commissioned either on behalf of the Pathfinder by the three local authorities or more usually in their own right, although it does use some data from well established national sources and also some local statistics. The prospectus begins by profiling the Merseyside region overall, followed by the Pathfinder area. Much of this deals with Liverpool's inner core as opposed to being Pathfinder wide. However, the later work on approach and proposals sets out the situation in each of the three local authority areas and a variety of data is used in doing this.
- 32 Most of the data is used to specifically analyse the housing market, its characteristics and its drivers. There is also data showing the wider social and economic situation. Data is provided at regional, pathfinder and SIIF levels. In analysing the housing market and its drivers, the information base looks at stock condition, housing types, tenure, house prices and population loss among other factors. In analysing the wider context and drivers, data is included on deprivation, economic growth, age structure, education and crime. Generally, it forms a comprehensive base to understand the place and its general circumstances, and identifies a number of key drivers affecting housing markets.
- 33 The data has, in the main, been used well to illustrate the points being made and presents a clear picture of the scale of the challenges faced by NewHeartlands.

Data Sources

- 34 In terms of housing data the prospectus has chosen to rely heavily on data from documents drawn up by consultants, commissioned for the pathfinder. These include the Merseyside Housing Demand Study by DTZ Piedad Consulting, the Merseyside Economic Review Summary from the Mersey Partnership and the Sefton Private Sector Stock Condition by DAP Consultancy. It also uses a wealth of data from the University Of Birmingham Centre for Urban and Regional Studies (CURS) “Changing Housing Markets and Urban Regeneration in the M62 Corridor” and later work which took a systematic approach to collection and analysis of local housing data. The majority of the data specifically regarding the condition of the housing and the overall state of the housing market is from these sources.
- 35 In terms of population analysis support is drawn from both CURS reports and DTZ Piedad. Between 1991 and 2001 the population of Liverpool fell by 8 per cent and it is suggested that much of this is due to out-migration to outlying districts. Over the comparable period 2001-2011 this rate of de-population is projected to fall to 4 per cent. In Sefton it is projected to increase from 3.3 per cent 1991-2001 to 4.5 per cent 2001-2011. In Wirral it is projected to fall from 6.5 per cent 1991-2001 to 5 per cent 2001-2011.
- 36 The submission does not include any comprehensive data to map or analyse migration patterns either within the Pathfinder target area or between it and the broader sub-region. There are references within the DTZ Piedad Housing Demand Study to previous work commissioned by University of Liverpool and the City Council in 2002, which included some information but this was specific to Liverpool and did not cover Wirral or Sefton. Similarly the CURS work on Employment Markets and Housing Choice points to some movement out of Liverpool into Wirral and Sefton. It is understood the Pathfinder intends to complete a detailed analysis of population movements between settlements and neighbourhoods both within and outside the target area once Office of National Statistics (ONS) data is available. This will help facilitate an informed analysis of projected movements and their impacts on future housing markets.
- 37 As evidenced within the Abros Study there is a complex tenure pattern within the target area although the pattern is generally one where owner-occupation is low with a correspondingly high level of social renting. Within the Liverpool part of NewHeartlands owner-occupation is relatively high at 50 per cent but over 22 per cent stock is owned by Registered Social Landlords (RSLs), many of them small associations. Within Sefton the pattern is similar to Liverpool’s but with a lower owner-occupation rate of 47 per cent and RSL ownership at 16 per cent. Within Wirral owner-occupation is the lowest at 42 per cent. One-quarter of the stock is private rented with 34 per cent social rented.
- 38 Data is presented within the Private Sector Stock Condition Survey which estimates 11,143 dwellings are unfit, representing an average rate of 11.7 per cent. This masks a range of levels of unfitness from 6.7 per cent in Sefton to 13.4 per cent in Liverpool.
- 39 Whilst it can be assumed average property prices within the target area are generally low the localised pattern is likely to be more complex. In the Liverpool part of the Pathfinder area for example the average is £30,000 and Sefton £36,000. No readily accessible comparable average is presented within the main submission for the Wirral part of the area.

- 40 The prospectus does make some use of well established data sets which are in the public domain. Quite a lot of data from the Office of National Statistics (ONS) is used, especially data from the 2001 census. This is largely population statistics such as overall population, age breakdown and Black and Minority Ethnic (BME) population. ODPM data is also used, both data from the Index of Multiple Deprivation and HIP data. Finally the prospectus also uses various local authority statistics, including Liverpool Asset Management Project (LAMP) data. This is mainly in identifying property type, condition and tenure in the Pathfinder area.
- 41 The main data used overall, however, is from the consultants' work. The use of this has both advantages and disadvantages. The advantages are that much of the information has been specifically collected for the purposes of the scheme with some information provided at a Pathfinder level. This can be used to support a number of the points the prospectus is making. It is understandable for the prospectus to rely on this data but there are also disadvantages to this as it is often not possible to verify or compare the data in the way that it would be if it was from trusted national sources. The Pathfinder has, however, highlighted that a number of the consultants reports in themselves have used such nationally trusted data sources.
- 42 There are a number of examples in the prospectus where data could have been used from a national source but localised sources have been used instead. These include the data on population loss which is sourced to CURS but is easily available and more up to date from ONS census data, data on levels of owner occupancy in Liverpool, sourced to the Liverpool Housing Strategy 2002 but easily available from both ONS (indeed it is understood that the Liverpool Housing Strategy takes advantage of this primary source) and ODPM and data on economic activity, sourced to the Merseyside Housing Demand study but also available from ONS. This impacts on the baseline as it is made up of data that is not as robust as it could be.
- 43 Some of the statistics are sourced to consultants reports where it would have been easier to reference original sources, thereby making it easier to track progress against the baseline and objectives unless the researchers do a piece of follow-up work using exactly the same methodology.
- 44 However, generally the prospectus does use the information base well to set out the current position and it makes most of its points clearly, especially regarding housing markets.
- 45 Virtually all of the data from the Government sources is the most recent available data, can be tracked over time and was used well in analysing factors affecting housing markets.
- 46 The prospectus itself is occasionally loosely footnoted with some pieces of information not having been sourced but there are relatively few omissions in terms of the information base. The information base could have been improved with more Pathfinder wide information and on some wider context indicators such as crime, education, health and quality of the environment. It could have made more use of the large amount of data available on the Office of National Statistics Neighbourhood Statistics resource. An analysis of migration data will be essential once this is released by ONS.
- 47 Overall the data in the submission is comprehensive, fairly robust and has been used to present a logical, coherent, and comprehensive picture of the current situation which is used well to back up its arguments and conclusions.

‘People-related’ Data

- 48 The use of robust ‘people-related’ data is vital as part of this process. Whilst the various hard statistics and indicators give the main picture of the situation and the changes to it, tools such as questionnaires capture crucial information from a range of stakeholders. Getting the views of people who live in the Pathfinder and neighbouring areas, and also of those engaged in attempting to make the Pathfinder work is important as it helps understand the current baseline more fully. Stakeholder views both from the outset and as the scheme progresses including their aspirations both for themselves and the area as a whole are also vital in planning the strategy. There needs to be ongoing soft data collection to give the fullest picture possible at every stage from production of the current baseline onwards.
- 49 Within this context the prospectus has not really taken the chance to use ‘Pathfinder-wide’ soft data in the way that it might have done. Work has clearly been done by each of the local authorities and by the Merseyside Urban Housing Capacity study and the Merseyside Housing Demand study but it has not necessarily been used to fully support the information base and the arguments made in the prospectus. There is mention of people’s aspirations within the pathfinder area, and the types of property they do or do not want to live in. Residents’ satisfaction with their neighbourhoods in Sefton is outlined but the prospectus could have made much more use of this opportunity to include overall surveys at a range of levels, including both pathfinder-wide and within adjacent areas to explain residents’ needs and aspirations, both at the present and for the future. This would have given a much fuller baseline in understanding the current position and enabled the task of monitoring this to be much easier as the scheme progresses. There is comparatively little data reflecting the needs and aspirations of local BME communities although it is understood there are plans in hand to address this. An analysis of the choices made by recent residents to the city centre might have revealed valuable pointers to future provision, whilst accepting that the city centre might cater for a specialised segment of the market which may or may not be representative of the rest of the target area.
- 50 The use of ‘people-related’ data could be seen as a key area for further development.

Trend Analysis

- 51 There is comparatively little trend analysis within the Prospectus itself. However, within the large body of supporting documentation, there is clear evidence of it particularly within the work from both DTZ Pida and CURS. The DTZ Pida Housing Demand Study and CURS Liverpool Housing Market research programme, for example, include analysis of population trends back to 1991 and projections to 2021. They also include local authority-wide unemployment data from June 1996 to June 2003 and house price data for the Pathfinder area by house type for 1999-2002.

52 The DTZ Study contributes to the NewHeartlands case by seeking to assess housing demand across Merseyside, considering factors influencing it and developing a suitable analytical framework. The CURS suite of information includes analysis to measure the sustainability of neighbourhoods in Liverpool, an analysis of the private rented sector, developing a housing investment framework and stabilising population. The sustainability work includes a useful analytical tool based on four domains of poverty and social exclusion, crime and social cohesion, environment and infrastructure and housing popularity, highlighting their co-existence. The study on private renting points to increasingly polarised market segments differentiating between traditional renting which is forecast to decline, an expanding professional city centre market, student housing and a market which is characterised by periodic long-term dependency on housing benefit. Developing a housing investment framework in Liverpool's Inner Core has been informed by suggested creation of six policy zones within which different approaches have been advocated.

Existing programmes

- 53 In order to optimise the positive impact of Market Renewal Fund activity and to secure truly holistic regeneration it is imperative there is alignment with other key programmes. The NewHeartlands programme will also be more effective if it takes account of lessons learned from previous regeneration initiatives.
- 54 There are some good examples of the Pathfinder recognising the need for programme alignment. Merseyside has seven Strategic Investment Areas (SIAs) which it predicts will create 20,000 net new jobs by 2007. These SIAs are existing economic centres recognised as having good prospects for growth. Predicted growth in tourism and city centre investment arising out of Liverpool's successful European Capital of Culture bid for 2008, Wavertree Technology Park and expansion of Liverpool John Lennon Airport are also cited as positive opportunities. The NewHeartlands programme acknowledges the need to foster effective links with the SIAs in order to capture job opportunities for local residents. It is proposed to achieve job-matching through existing JETS ('Jobs Education and Training') funded through Objective 1, Single Regeneration Budget (SRB) and Neighbourhood Renewal Fund (NRF) and also through the activity of the city-wide 'People Pool'. This reflects the approach previously adopted in initiatives such as the regeneration of Speke-Garston.
- 55 Similarly, the Pathfinder has provided examples of an impressive array of potential mechanisms for aligning its approach to those of other partnerships and programmes which include Neighbourhood Renewal Strategies, New Deal for Communities (NDC), the National Health Service (NHS), Local Improvement Finance Trust (LIFT), Education Action Zones (EAZ) and Sure Start. What is less clear from the prospectus at this stage is the operational detail of how and when these activities will be aligned on the ground within the NewHeartlands area.

- 56 In terms of learning lessons from previous programmes there are brief references to the work of initiatives such as the Merseyside Development Corporation, City Challenge and SRB in the 1990s as well as a summary of the Speke-Garston and North Liverpool Partnership Initiatives. It appears that acknowledgment of the need for greater 'joining-up' and a strategy-led approach has come out of these programmes. What is not clear is whether such conclusions have themselves come out of any detailed evaluation which has taken place of such locally-delivered initiatives. One example of this is the Speke Garston case study which is used to highlight an approach to evaluation without identifying the lessons that have been learnt from in terms of strategic intervention. The Prospectus concludes that impact has been lessened by national policies being 'partial and piecemeal' and worsening social and economic conditions but not whether there has been any systematic attempt to learn and apply lessons from delivery of those initiatives at the local level in order to make the NewHeartlands Market Renewal Pathfinder programme more effective.
- 57 In summary, the information base has more strengths than areas for further development. Most of the data is used to specifically analyse the housing market and its characteristics. Generally it forms a comprehensive base to understanding the individual local areas and their circumstances, and many of the principal drivers around the housing market with the exception of migration patterns, the needs and aspirations of BME communities and why people have chosen to move in to the City Centre. It also presents a clear impression of the scale of the challenges faced by NewHeartlands. Information would benefit from collating, aggregating and analysing at the Pathfinder level to create a comprehensive NewHeartlands baseline against which progress can be measured. It is understood plans to progress this are in hand. There are occasions when the data was actually available from a national source which would be better both in terms of consistency and tracking change. Data is largely up to date at the time of submission, and may be tracked locally. The prospectus has not really taken the chance to use soft data in the way that it might have done particularly at the Pathfinder-wide level. The Pathfinder recognises the need for programme alignment but what is not clear is how far there has been any systematic attempt to learn and apply lessons from delivery of previous regeneration initiatives at the local level in order to make the NewHeartlands Market Renewal Pathfinder programme more effective.

Impact of Areas Adjacent to the Pathfinder

- 58 This section examines the Pathfinder's analysis of external demand and supply factors which affect the Pathfinder area, considering population shifts and the impact of Land-use Planning policies. An understanding of these issues demonstrates an ability to see the connections between the area and the rest of the sub-region and region.

- 59 Some of the proposals supporting information, places the Pathfinder within the wider context of Merseyside and the North West. For example, the prospectus points to the need to capture a greater fraction of existing demand for housing from Greater Merseyside and the region as a whole, pointing to the growth of the economy as a key opportunity. In reality between 1996 and 2000 the fastest growth in jobs in Merseyside was 12.9 per cent in Knowsley and 7.7 per cent in St Helens compared with between 2.3 and 3.4 per cent for the three Pathfinder authority areas, although more recent indicators are more promising. The CURS Employment Markets and Housing Choice Study suggested on the basis of sample surveys that there has been population movement out of Liverpool to Sefton and the Wirral. The DTZ Pinda Housing Demand Study projects a slower future decreased population decline in Liverpool, as opposed to growth, compared with Merseyside as a whole. In Sefton analysis of Council Tax records suggests South Sefton has a self-contained market but that the trend is for population to drift towards the North of Sefton.
- 60 In terms of mapping current property contours, the Merseyside Urban Housing Capacity Study presents opinions from estate agents and house builders about the vitality of housing markets on Merseyside. This includes potentially valuable data, albeit not from residents themselves, about the factors that have created strong markets in areas such as St. Helens and Knowsley which the Pathfinder is competing with for future residents. These include low crime, environmental quality, image, good services and schools. This is not backed up by similar first-hand data from consumers themselves.
- 61 The North West Development Agency (NWDA) has identified Liverpool as one of the region's major future economic drivers. As discussed later the importance of a co-ordinated approach to a Merseyside sub-regional housing and planning agenda is recognised by the Pathfinder as embodied within the role of the Merseyside Housing and Planning Officers Group which comprises representation from the five Merseyside local authorities and Halton. It is seen as key in developing a shared agenda to monitoring changes in sub-regional housing markets, promoting spatial policy responses which are complementary and sustainable. It is proposed that urban capacity, housing demand and the relationship between housing markets and the economy will be considered on a Merseyside sub-regional basis as part of the NewHeartlands programme.
- 62 It is understood there is currently a model Greater Merseyside Inward Investment Concordat which it is intended will be used as a template for a comparable housing concordat to get local authorities to agree to concentrate future housing development within the Pathfinder area and restrain development outside. It is not clear exactly how or when this will be put in place or whether it has the support of the non-Pathfinder Merseyside local authorities.
- 63 In the North West it is established in the North West Regional Housing Strategy 2003 that changes in housing markets have been directly affected by the long-term impact of regional planning policies which have helped fuel the de-centralisation of population from the urban cores to the high demand suburban and semi-rural housing markets. Regional Planning Guidance is now consistent with the Pathfinder's aims of re-populating the urban core, but there is no reference to the Planning policies of adjacent local authorities who compete for households in the same housing market as Liverpool, Sefton and Wirral. There is also no information on the numbers of existing residential planning approvals in adjacent boroughs that will provide new homes competing for residents with the Pathfinder. The plans and ongoing development activity within those adjoining areas will obviously impact upon the Pathfinder's ability to deliver against its own objectives.
- 64 As previously noted it would be useful for the Pathfinder to have a detailed analysis of population movements between settlements and neighbourhoods both within

and outside the target area. This would help an informed analysis of projected movements and their impacts on future housing markets. At both the sub-regional and local level, the Prospectus does not look in detail at how planning issues have had an impact on population movements and housing markets. Additionally whilst there is assessment of the likely impact of house-building targets and activity within the three partner local authority areas there is no attempt made to analyse it in respect of outlying local authority areas. This will affect the ability of the Pathfinder to regenerate its own area and indeed is noted by the Pathfinder itself as a key area for concern. There is no analysis of the likely impact of large-scale voluntary stock transfers in adjoining areas such as Knowsley and South-East Liverpool on the potential for rejuvenation of the Pathfinder area since this might encourage more migration from NewHeartlands into outlying areas.

- 65 In summary, in respect of the impact of areas adjacent to the Pathfinder there are more areas for further development than strengths. There is acknowledgement of the importance of the impact of both Planning policies and 'competing' activity in the sub-region and beyond on the NewHeartlands area but no analysis of the exact dynamics of how those factors impact which would be an area requiring further consideration in the context of the solutions proposed below by the Pathfinder. There is a lack of detail on migration patterns.

Stakeholder involvement

- 66 It is important that the Pathfinder engages the full range of stakeholders who are affected by, and who have an influence on market renewal. This is to ensure that as far as possible the programme addresses the issues experienced by each stakeholder and is designed and implemented in the most effective way possible.
- 67 Key to success will be a positive relationship with agencies outside the direct control of the Pathfinder including regional funding agencies, private developers and house-builders, RSLs and private landlords. As regards housing development partners, Liverpool have four designated zones each having a partnership with a major house-builder and a lead RSL, supported by other RSLs as appropriate. Official Journal of the European Community (OJEC) notices were issued in Liverpool in July 2003 and in Sefton seeking suitable partners in an arrangement which will also involve English Partnerships in a trial three to five year partnership. The purpose of this arrangement is stated succinctly:

'The tripartite partnership approach provides a model that will encourage long-term commitment and participation from the private sector, thus making the best use of their financial resources and skills. The attraction to the private sector is that their efforts in helping to identify housing sites and markets will be rewarded by a pre determined split of profit with the local authorities'.

- 68 Given that a number of the key RSLs and development partners operate across the Pathfinder and beyond this approach could be better coordinated and strengthened by considering joint arrangements involving all three local authorities. This would also create opportunities for positive economies of scale.

- 69 It is understood meetings have also been held with chairs, regional directors and chief executives of several (unspecified) large house-builders to promote the Merseyside Market Renewal Pathfinder and its potential benefits for the private sector. It is recognised that some early sites may not be particularly attractive to the private sector and these will be bundled up with others with greater profit potential to create rounded packages. It is also understood there has been considerable interest from the private sector in these potential partnerships.
- 70 In Wirral, the OJEC notices had yet to be published at the point the NewHeartlands prospectus was submitted. However, the Council intends to build upon the partnerships established as part of Tranmere Housing Regeneration Partnership and to engage RSLs through the Wirral Strategic Housing Partnership. It is also proposed to establish a Private Sector Forum overseen by an independent chair to enhance relationships between NewHeartlands and the private sector.
- 71 In respect of RSLs, of which there is a proliferation operating in the NewHeartlands area, a strategic approach is suggested through development of the LIFE Model ('Lead, Influence, Follow, Exiting') developed by the Liverpool Strategic Housing Partnership (LSP) which is both an attempt to create a structured neighbourhood management framework and to guide a more rationalised input from the RSL sector. RSLs will assist in delivering decant programmes and development of new affordable housing as well as provision for vulnerable groups such as older people. In Sefton, where for example there are 20 RSLs working in South Sefton alone it is recognised that management requires consolidation. It is intended to appoint lead RSLs for each neighbourhood. These will work closely with each community, supported by the Council to develop a locally agreed, deliverable and sustainable delivery plan formalised in local Service Level Agreements (SLAs) yet to be developed.
- 72 It is also intended to develop a Pathfinder-wide Housing Association Forum which will provide an opportunity for RSLs views to be fed directly to the Pathfinder Board and Staff team.
- 73 To broaden representation in the wider process a Lead Officers Group chaired by the NewHeartlands MD will be established. This will comprise representation from a wider range of bodies including the police, health, education, NDC and other regeneration programmes and will need to be at a senior level.
- 74 In Wirral, a Stakeholder Seminar was held in September 2003 which involved all key agencies.
- 75 Private landlords will be engaged through the Landlord accreditation scheme. An existing example of this is Kensington Landlord Accreditation Safety Scheme (KLASS) in Liverpool which is a voluntary scheme to promote good quality, well managed accommodation in return for which landlords can promote themselves through accreditation and gain potential grant assistance towards the cost of front elevational treatment. Wirral already has a Private Landlords' Forum which meets quarterly attended by over 150 landlords to discuss housing policy and strategy issues.
- 76 The Pathfinder has formally engaged with the regional and national funding agencies such as the North West Development Agency (NWDA), English Partnerships and the Housing Corporation about specific support for the NewHeartlands Initiative. The pathfinder has provided evidence of support from some key partners including Jobcentre Plus, LSPs, NWDA and English Partnerships. It has also completed a formal stakeholder analysis as part of its Communications Strategy.
- 77 It can reasonably be assumed that in the case of English Partnerships, involvement is well advanced since it is identified as having a distinct role in the joint partnering

arrangements already discussed. Similarly some involvement can perhaps be assumed through the volume of activity channelled through the LSPs of which NWDA will presumably be a key partner. There is also the stated possibility NWDA may be invited onto the expanded NewHeartlands Board- the NWDA's Regional Economic Strategy 2003 identifies Liverpool as one of the region's two major economic drivers.

- 78 In summary, in respect of stakeholder involvement there are many more strengths than areas for further development. There are well developed plans to formally engage key RSLs and private house-builders through formal partnering arrangements. This approach could be better co-ordinated and strengthened by considering joint arrangements involving all three local authorities. This would also create opportunities for positive economies of scale. There is a formal strategy in place for engaging key stakeholders. Private landlords will be drawn in through the Accreditation Scheme. New Forums will be developed to facilitate closer joint working with RSLs, the private sector and private landlords.

Scrutinising the drivers that have led to the current position

- 79 An understanding of the key drivers that have led to failure within the housing market is essential in targeting effective action to bring about market renewal. This includes an understanding of the level at which different drivers operate, the relative importance of different drivers, how those drivers inter-act and which drivers can be influenced by priority interventions from the Pathfinder.

Key Drivers

- 80 The drivers that have influenced low demand within the Pathfinder area are presented at a series of levels from macro to neighbourhood. Many of the key drivers are reflected in the DTZ Pleda Merseyside Housing Demand Study which necessarily reflects a sub-regional perspective. The Study suggests that potential demand for housing in the Pathfinder area is dependent on two main factors-overall demand in the wider market and the Pathfinder's ability to capture it.
- 81 Dealing first with overall demand the inter-relationship between the sub-regional economy and housing markets is presented as a key one. Buoyant economies put money in people's pockets, encourage household formation and stimulate demand. It is also suggested that sub-regional economic growth attracts inward migration. Within this context it is noted that taking the region as a whole outward migration in the 1970-80s coincided with decreased employment. It is contended that employment growth has a positive impact on owner-occupation levels. Whilst this latter point is defensible there is no evidence presented to substantiate the argument in terms of the impact on the Pathfinder area within the context of the wider sub-region. In addition it can be argued that increased employment and income levels in themselves would give people in the Pathfinder area better opportunities to move out to what might be regarded as more desirable areas.

- 82 The study sets out data for economic performance and population in Liverpool which is mixed. The conclusion within the Demand Study that the Merseyside economy will lag behind that of the UK by 0.5 per cent is regarded by the study itself as unduly pessimistic and does not take account of influences such as the city's European Capital of Culture 2008 status. The Pathfinder has pointed to recent indicators of growth which present a more healthy picture but there are references within the DTZ Economic Assessment to projected short and medium term growth levels lagging behind those of the rest of the country. The Demand Study draws out the comparison with population and household growth projections suggesting population will continue to fall but more slowly and that household growth will result in a larger number of small households. Moving to consider the Pathfinder's own ability to compete the key factors are regarded as land supply and relative attractiveness of neighbourhoods. It is concluded that the Pathfinder can attract investment, partly evidenced by historical development levels. The recent success of city centre developments is presented as part of this picture although it is accepted that this serves an essentially different market segment than the bulk of the Pathfinder area.
- 83 Depopulation is presented as a key influence.
- 84 As regards more directly housing-related drivers the factors identified include a mismatch between supply and demand with an over-supply of social renting and poor stock condition although it could be argued that the latter is a symptom rather than a driver of low demand.
- 85 Both at the Pathfinder level and within the three local authority areas, additional key drivers are regarded as poor physical environment, crime and anti-social behaviour, low educational attainment, worklessness, economic decline and health inequalities. This general approach but not necessarily the detailed indicators used, are reflected in the Liverpool Asset Management Project (LAMP) model which has been adopted by Liverpool City Council. The model is a potentially useful analytical tool which uses 13 Indicators to assess the health of a neighbourhood. It is understood the model exists in operational form but is currently under development. There are areas where it could be expanded still further. These include data on health, education and income levels, measures which are often reflected in comparable models used elsewhere. In addition, it is intended to extend the current LAMP model which has been developed in Liverpool across all three areas. This will need to be completed quickly if a consistent approach to analysis of drivers and projected versus actual change can be mapped and measured.
- 86 What is not clear from the submission are two key points. Firstly, the relative impact of the drivers identified. Which are more important than others? Secondly, the exact nature of the inter-relationship between them is also unclear. Poor socio-economic and housing market performance within the Pathfinder area has taken place against broadly similar patterns for the sub-region. Data which is presented provides only a partial picture of how people make decisions where to live. Whilst it might be acceptable to conclude that the areas that perform worst in socio-economic terms also do so in housing market terms there is little evidence presented to support a direct correlation based on cause and effect. In simple terms the fact that characteristics exist side by side or that through community consultation there may be evidence of 'neighbourhood dissatisfaction' is not in itself clear evidence of the inter-relationship between drivers. It merely confirms the co-existence of them. This point is related to the earlier conclusion of the need for more 'people-related' data to clarify this link. The Pathfinder has pointed out that this will be improved through the emerging and ongoing Neighbourhood Renewal Assessment processes.

- 87 The growth in city centre living is presented as a success but it is not clear how people took decisions to move or where they came from and it is therefore difficult to see how such successes could be consolidated to 'build out' from the city centre.
- 88 The Prospectus would also have benefited from trend analysis which showed whether drivers were getting stronger or weaker. Taken further this would have been useful in creating a projected picture of what would happen if there was no intervention. Equally as usefully it would have strengthened later conclusions about which drivers can most appropriately be influenced through Market Renewal investment in future.

Monitoring Drivers

- 89 The monitoring of drivers is essential to ensure that the Pathfinder continues to respond effectively to market conditions, adapting interventions to achieve the desired outcomes.
- 90 The proposal is to extend the LAMP model to include Wirral and Sefton which should enable a consistent approach to mapping the symptoms of fragile markets at the local level. Wirral is also developing its own Wirral Housing Mapping project which will cover some of the same ground. It is therefore intended there will be a fully operational tool in place in the near future.
- 91 Much of the key hard data will be collected by the main agencies and made available. This will also need to be supplemented to consider inter-relationship and relative importance of the drivers identified. The Pathfinder will need to be explicit from the outset what data will be collected, by whom, for what purpose and how often.
- 92 In summary there are more areas for further development than strengths in the identification and analysis of market drivers. The Pathfinder recognises the potential importance of a wide-range of factors which produce potential market failure or success. The LAMP model currently being enhanced will potentially help to develop this understanding but the model is not fully operational across the whole Pathfinder area. There is no clear assessment of either the relative importance of individual drivers or how they interact and combine to influence housing markets. This will inevitably make it more difficult both to justify the selection of particular interventions, to predict their likely impact on the revitalisation of housing markets in NewHeartlands and to measure progress as the scheme's delivery progresses.

What solutions are being proposed and will they be effective?

Solutions

- 93 The solutions proposed by the Pathfinder need to comprehensively address the causes of market failure. They need to be consistent with the strategies and investment priorities of regional and local authorities. They need to be deliverable in the timescales agreed between ODPM and the Pathfinder, and lead to measurable change that is sustainable in the long-term.

Strategy

- 94 The overall vision and four main goals of NewHeartlands are clearly defined. They recognise that there is a link between the multiple problems facing communities in deprived areas and housing markets which do not work for the benefit of people who live in those communities. Conversely strong housing markets are seen as one of the key foundations to creating and maintaining sustainable communities, alongside good quality environments, employment opportunities and access to good standard of health, education and other local services. The approach is also based on the view that different approaches are required in different parts of the Pathfinder area and that is also reflected in the Strategic Integrated Investment Frameworks (SIIFs) for the three local authority parts of the Pathfinder area.
- 95 The approach for Liverpool is based on aspirations of planned population growth whereas in the other two areas it is about consolidation and retention. The overarching principles of the approach across all areas are six-fold:
- ◆ economic and social linkage;
 - ◆ linking need and opportunity;
 - ◆ effective neighbourhood renewal;
 - ◆ collaboration with the private sector;
 - ◆ high quality design; and
 - ◆ sustainability.
- 96 What are less clearly defined are relationships, both the strategic relationship between the approaches being adopted within each of the local authority areas and also between each of them and the specific objectives of the Pathfinder. Whilst accepting that solutions need to be partly built up from the bottom-up and rooted in an understanding that what works in one area will not necessarily work in another it is not clear how what is proposed within each of the three areas will be managed to ensure maximum synergy and minimum duplication. No analysis is presented of the ability of each local authority to deliver its own objectives without compromising successful delivery in the other two areas. In simple terms it is not clear how far proposed interventions are part of a strategic response to addressing housing market issues in the Pathfinder area as a whole as opposed to being three separate programmes brought together under the NewHeartlands banner.
- 97 Work has started to secure support from the relevant LSPs for the three areas. In Liverpool there are five Strategic Issues Partnerships under the umbrella of its LSP - the Liverpool Partnership Group. It is understood members of the Strategic Issues Groups (SIGs) have undertaken discussions about the implications of housing proposals for their own services. There has also been a joint stakeholder event between the City Safe and Strategic Housing Partnerships. It appears there is still some way to go before there are exact details of how such complementary interventions will be delivered on the ground specifically in terms of alignment across the three local authority areas. Similarly, the Sefton Borough Partnership, its LSP, has a number of Thematic Groups of which the Neighbourhood Renewal Group has evolved to incorporate housing market renewal. Wirral's LSP has spawned the concept of Neighbourhood Partnerships which are currently being developed. It is recognised that the integration of strategies and structures for Neighbourhood Renewal and Housing Market Renewal will be essential for success. It is not clear from the Prospectus how this will be achieved in practice.

- 98 Many of the approaches, for example neighbourhood management and land assembly, have previously been tested within the three Boroughs through initiatives such as NDC and SRB. What is different is the scale of the interventions particularly in respect of both demolition and new build. It is proposed to demolish 20,655 houses of which 15,633 are in Liverpool alone. This represents 20 per cent of the total stock within the Liverpool area of the Pathfinder and also needs to be viewed in the context of there being approximately 7,600 vacant properties in that same area suggesting 13,000 of the properties it is proposed to demolish are still occupied.
- 99 It is also intended to provide 18,525 new houses of which 14,819 are in Liverpool. The general approach to this is outlined in the three SIIFs, the Area Development Frameworks (ADFs) and individual Neighbourhood Development Plans. Taken in conjunction with activity from existing regeneration initiatives this will have a significant impact on the target areas. Given the scale of change and both its short and medium-term impact, the Pathfinder is proposing extensive support to communities affected by transition through the 'Living through Change' Programme. A number of the private sector tools to be used are already in place including Home Repairs Assistance, Relocation Grants and Renovation Grants. Others including key support proposals for homeowners such as Homeswaps, equity release and Mortgage Rescue Schemes are currently being developed.
- 100 The Pathfinder aims to take advantage of projected increases in household formation to take up the proposed supply of new build properties. Whilst this may prove to be the case it does not take account of the concept of choice which may mean such households will continue to choose to want to live in more desirable neighbourhoods rather than more problematic ones thereby creating additional pressure on the former areas at the expense of both.
- 101 What would also benefit the vision for how these areas might look in the future would be both a sub-regional spatial strategy and some sense of a Masterplan for the NewHeartlands area. These would recognise the central importance of proposed changes to the housing markets to its wider impact in terms of creating sustainable neighbourhoods. They could help to define both the future and functions of particular neighbourhoods and the relationship between them. Without this systematic approach it will be difficult to take a rational planned approach both to solutions within the Pathfinder area but also to the sub-region as a whole. Such an approach would also help to support and complement the emerging regional spatial framework.
- 102 The proposals aim to take advantage of planned complementary investment both strategic and more localised in non-housing assets such as schools and community infrastructure. Liverpool City Council has embarked on a significant Private Finance Initiative (PFI) schools infrastructure programme worth a projected £21million in 2003/2004 and over £61million thereafter. It is also taking advantage of the Government's 'Building Schools for the Future' programme. Wirral will benefit from a new Tenants and Residents Federation Base. Whilst in some neighbourhoods prioritisation and detailing of interventions is well developed through existing Neighbourhood Development Plans there is generally still work to be done to create coherent programmes with detailed proposals and timescales. These will be more soundly grounded following a series of proposed Neighbourhood Renewal Assessments.

- 103 Proposals attempt to strike a balance between protecting and enhancing conditions for existing residents and creating a climate which it is hoped will encourage people from outside the area to live, work and invest. Current residents would potentially benefit from improvements to housing and environmental conditions, owner occupiers would benefit from enhanced values, new residents could benefit from cheaper housing than in outlying areas, and social and private landlords could benefit from reduced management and maintenance costs.
- 104 For the NewHeartlands programme to be effective it is imperative that the proposed interventions are rooted in a clear understanding of the drivers which impact upon failing or successful markets. Whilst the Pathfinder has presented an analysis of a wide-range of drivers it believes have created the current situation there is no analysis of the relative importance or inter-relationship between each of those drivers which makes it difficult to justify the suite of proposed interventions and their likely impact on the target area as a whole. What is clearer is that within particular neighbourhoods where Neighbourhood Development Plans have already been developed interventions will at least address key concerns expressed by local communities. It would strengthen future processes if detailed appraisal of interventions includes analysis of impact on key drivers as a central criterion.
- 105 NewHeartlands includes proposals such as the redevelopment of Stanley Park in Liverpool and projects to take advantage of the Leeds-Liverpool Canal frontage in Sefton which have potential to become key building blocks in delivering major transformational change in the Pathfinder area. New tools have or are being developed which could help to secure objectives such as assisting homeowners to invest in their properties through loan assistance, equity release and mortgage rescue.
- 106 One of the key demonstrations of the robustness of proposals is the extent to which they have been the subject of extensive and systematic comparative appraisal alongside other possible solutions and measured against consistent pre-determined criteria. In simple terms this is what Option Appraisal is about. Subsequent to Prospectus submission the Pathfinder has provided evidence, in the form of a report by consultants ABROS, of the projected economic impact of the NewHeartlands proposals. The study uses the baseline of opportunity costs arising from a 'Do Nothing' option to measure the differential impact in housing investment terms of the current proposals. The study also concludes that the interventions have potential to impact positively on the wider economy of the sub-region:

'A contribution to the competitiveness of Merseyside may arise from an increase in economic activity of those living in the area'.

- 107 The submission would have benefited from evidence actually presented within the main Prospectus to support this conclusion or to measure the potential additionality brought about through Market Renewal investment. This is particularly pertinent in the inner cores of the three local authority areas which have and do benefit from a wide range of regeneration investment.

108 In deciding the detail of what will comprise the NewHeartlands package it would have helped if attention had been given to devising a coherent approach to measuring this additionality. This could take account of factors such as:

- ◆ Leakage (the level of activity lost to the area);
- ◆ Deadweight (the extent to which activity would have arisen anyway in the absence of intervention);
- ◆ Displacement (the extent to which support will skew market share or investment from developers and landowners not being supported);
- ◆ Substitution (substituting one activity for a similar one to take advantage of public sector assistance); and
- ◆ Multiplier Effects (the knock-on impact of interventions on income levels and economic performance and vice versa).

109 Option Appraisal can operate at a number of levels, from cross-Pathfinder programme to neighbourhood planning or to particular interventions. Taking the Pathfinder as a whole it is not clear what option appraisal, if any, has been undertaken in arriving at the chosen mix of interventions. Why were particular types of intervention chosen over others as being the most appropriate in helping to deliver against the NewHeartlands objectives? The ABROS report does assess the relative impact of a 'Do Nothing' option compared with intervention per se but this does not go as far as considering the relative benefits of particular interventions over one another. However, at the more localised level there is evidence that good progress is being made to consider this more systematically. For example, as part of the Neighbourhood Development Plan process Sefton have undertaken option appraisals of areas such as Bedford/Queens Road, Klondyke and Knowsley/Peel Road. The Pathfinder needs to develop a consistent framework as part of its project appraisal process to ensuring appropriate option appraisal has been completed before funding is approved.

Displacement

110 This section looks at the Pathfinder's approach to displacement, the 'spill over' effects from the proposed interventions. Housing markets operate independently of administrative boundaries, so it is important to understand the potential effects on the wider housing market of major interventions within the Merseyside Pathfinder boundaries. These wider changes will influence the policy responses from neighbouring local authorities and vice versa.

111 Both the Communities Plan and the Regional Housing Strategy acknowledge that whilst there are significant numbers of dwellings suffering low demand which are within Pathfinder boundaries there are also a large number which are not. The Housing Strategy explains that this will be taken account of through multiple agencies such as local authorities, housing associations and the private sector working more closely together. It will engage with the four North West Pathfinders to ensure alignment with broader regional and sub-regional strategies and encourage neighbouring authorities to develop complementary strategies.

- 112 The importance of a co-ordinated approach to a Merseyside sub-regional housing and planning agenda is recognised by the Pathfinder as embodied within the role of the Merseyside Housing and Planning Officers Group which comprises representation from the five Merseyside local authorities plus Halton. It is seen as key both in developing a shared agenda to monitoring changes in sub-regional housing markets and in promoting spatial policy responses which are complementary and sustainable. It is proposed that urban capacity, housing demand and the relationship between housing markets and the economy will be considered on a Merseyside sub-regional basis as part of the NewHeartlands programme. It is not clear how this will operate in practice or indeed whether an approach which would seek to concentrate growth in the Pathfinder area has the formal support of the other Merseyside local authorities.
- 113 The Pathfinder has demonstrated how proposed new build rates can be managed in Planning terms to take account both of historic development levels and regional targets. These will also include a proportion of affordable homes to cater for the needs of existing local residents displaced or other wise materially affected through clearance. It is understood there is currently a model Greater Merseyside Inward Investment Concordat which it is intended will be used as a template for a similar Housing Concordat to get local authorities to agree to concentrate development in the Pathfinder area and restrain development outside. It is not clear exactly when this will be in place or the level of support for it from neighbouring local authorities.

Sustainability

- 114 The proposals aim to deliver sustainable solutions in a number of ways. The Pathfinder has as two of its four central objectives to build sustainable communities and to create attractive and sustainable urban neighbourhoods. It is understood all three local authorities are seeking to integrate housing market renewal with neighbourhood renewal objectives and translate this into joining-up activity on the ground. This recognises the importance of a whole-systems approach to sustainability. High quality urban design is also seen as important and Liverpool's Urban Design Guide is complemented by policies in Sefton and Wirral's regeneration strategies. Issues such as energy efficiency, renewable energy and waste minimisation are proposed as central to the New Heartlands agenda.
- 115 Neighbourhood management is regarded as one mechanism for creating sustainable communities with a series of localised 'mini-LSPs' and similar mechanisms proposed as a means of co-ordination. Lack of a joined-up approach is seen as a key factor in reducing the impact both of previous regeneration programmes and mainstream delivery- joined up both in the sense of cross-service at the local level and between local, city and regional initiatives. The Pathfinder presents the key challenges in this respect as being:
- ◆ alignment of education spending so good schools are not unduly weakened during redevelopment;
 - ◆ developing services to support drug and alcohol dependent residents;
 - ◆ tackling anti-social behaviour; and
 - ◆ active employment policies to maximise local people's benefit from regeneration.

116 One of the proposed mechanisms for delivering this is the resource-intensive 'Living through Change' programme which aims to provide concentrated neighbourhood support during periods of transition. It is proposed that Market Renewal funding provides for 50 per cent of the cost of this. NRS Plus is also presented as one of the umbrellas under which this intensive management will be delivered. One concern in this respect would therefore be whether sufficient ongoing revenue support could be identified to continue activity which meets people's raised expectations once Market Renewal funding ceases to be available and how ongoing activity will be matched through mainstream support.

117 The Pathfinder is also proposing:

- ◆ development of 'service concordats' where each partner local authority prioritises services in the target area;
- ◆ exploration of the possibility of agreeing to maintain educational standards throughout the period; and
- ◆ jointly undertaking needs analyses within the Pathfinder to inform agreements about service provision obligations.

These clearly have the potential to ensure better mainstreaming of support for communities in the target area and are to be more fully developed.

Risks

118 The purpose of risk management is to identify risks critical to successful delivery and how to assuage them. A comprehensive Risk Management Strategy would therefore be expected to include:

- ◆ details of risks categorised by type of risk (for example strategic vs operational);
- ◆ identification of the extent to which they are key to successful delivery of the programme;
- ◆ timescales for each particular risk (for example short, medium, long-term);
- ◆ quantification of the likely level of that risk;
- ◆ recommendations for how that potential risk can be reduced;
- ◆ identification of whose responsibility it is to manage that risk;
- ◆ assessment of the likely residual risk (if that is feasible) notwithstanding the management measures put in place and;
- ◆ detail of what other contingencies are in place if that risk does actually prove to have a detrimental impact on programme delivery.

119 The Pathfinder has identified 22 main risks following a broadly similar format to the one above. Most of the major risks are included such as:

- ◆ macro-economic changes such as recession;
- ◆ loss of stakeholder support;
- ◆ insufficient funding;
- ◆ perceived lack of demand by the private sector;
- ◆ costs of brownfield sites and remediation;
- ◆ prohibitive rising costs of labour and materials;
- ◆ capacity to deliver; and
- ◆ impact of house-building policies of neighbouring local authorities.

However, it has not identified other key risks such as ability to acquire a large number of individual interests in sites and buildings over a short period - a little over two years in the first instance.

120 There have been no timescales attributed to the risks so it is unclear whether the Pathfinder anticipates all of the identified risks to be relevant for the duration of the programme or whether the framework only relates to an initial (for example three year) timeframe. The argument for the latter would be on the basis that other risks, particularly operational ones will emerge once interventions are being delivered.

121 In a number of cases the Risk Control Measures proposed are either not a comprehensive or not a specific response to the particular risk identified. For example, the response to 'Capacity- skills and knowledge' is 'recruitment and retention of right staff and knowledge of processes required. Skills shortage to be addressed by number of mechanisms. Need to work with partner agencies'. Similarly, the response to 'Impact of potential house-building policies of neighbouring local authorities' is '...preliminary work has been completed but dialogue needs to continue with neighbours to ensure co-ordination'.

122 It is also unclear whose responsibility it will be to manage each of the individual risks.

123 It is understood the Pathfinder is currently engaged on joint work with two other Pathfinders to produce a more comprehensive and robust risk framework which it is hoped will address at least some of the above deficiencies. The overall methodology is expected to be approved by the Pathfinder Board in January 2004. The preferred system will need to be reviewed and updated regularly. It will need to have clear ownership at Board level.

Special Purpose Vehicles

124 There is still a great deal of detail to be finalised in terms of how the interventions outlined by the Pathfinder will be delivered. Within all three local authority areas one of the key delivery vehicles will be the tripartite partnerships between local authority, lead developer and lead housing association which will be formed around each of the zones of intervention. These will be complemented by co-ordination and consultation structures operating at LSP and neighbourhood levels, through community and voluntary sector networks and through tenants and residents associations. It is not clear how this will work in practice but the existing Tranmere Housing Regeneration project is presented as one possible model.

- 125 They will also be strengthened through on-site Market Renewal delivery teams within each of the three local authority areas.
- 126 The proposed partnering arrangements represent an important opportunity to pilot an approach and to learn from it in order to provide a more robust solution in different parts of the pathfinder area later in the programme.
- 127 In summary, there are more areas for further development than strengths within the solutions proposed by the Pathfinder. The overall vision and goals are clearly defined with recognition of the need for a 'holistic' approach to the rejuvenation of areas experiencing low demand but there is little sense of a 'joined-up' response to the deep-seated issues impacting upon housing market failure in the NewHeartlands area which spans three local authority areas. Work is underway to secure support from key complementary programmes and players to achieve this although further work will embody this within the necessary delivery plans. A number of the approaches proposed have been tried and tested within the three local authorities through previous regeneration initiatives whilst other have yet to be developed to the extent they can be delivered.
- 128 Whilst accepting the Pathfinder area is not homogenous the approach would benefit from a clearer definition of how the various settlements and neighbourhoods which comprise the NewHeartlands target area would 'fit together' and complement one another. The approach would also be strengthened by greater emphasis on identifying and tackling the major drivers which can be influenced in the long, medium and short-term as the basis for determining appropriate interventions. There are tools and site-specific proposals which have potential to deliver transformational change. There ought to be more importance given to identifying and measuring the genuine additionality which Market Renewal funding will create and there is little evidence of a systematic approach to option appraisal except at the very local level. This can be addressed through a formalised appraisal approach. The Pathfinder clearly recognises the importance of a joined up approach to creating sustainable communities and has plans to work towards this through better targeting of mainstream services. Major risks have been identified but there is little evidence of a coherent and strategic approach to risk management including identifying whose responsibility it will be to manage those risks.

Resources

- 129 It is important for the Pathfinder to demonstrate that where there are investments by other organisations and funders to support the market renewal process and that these are co-ordinated with the Pathfinder's own activities to produce the desired outcomes.
- 130 The Prospectus bids for £672.6million of HMRF resources over 15 years of which £137.3m is for the first three years. According to the main Prospectus itself this is anticipated to attract matched funding totalling nearly £431million over the first three years and £2.32 billion over 15 years. This would therefore mean a total programme worth nearly £600million up to March 2006 and nearly £3billion over its lifetime.

Investment Co-ordination

- 131 In order to achieve optimum impact it is crucial that investment strategies for other programmes and partners are re-aligned to complement those of the Pathfinder. Based on figures in the Financial Plan provided by the Pathfinder likely matched funding is projected across a range of sources. These include HIP, ADP, private sector and RSL as well as NRF, NDC, SRB and English Partnerships. Of these sources private sector investment is by far the most important.
- 132 The Pathfinder has explained its costing methodology. Overall costs are derived from the bottom-up. Project and sub-project data has been aggregated to produce a sub-total for each of the three local authority parts of the Pathfinder area. These have then been combined to produce an overall Pathfinder total
- 133 In this respect the Financial Plan submitted can be seen as robust.
- 134 The programme is based around substantial matched funding requirements. Over 15 years £407million is anticipated from HIP; £125million from the ADP; £210million from housing associations and £1.1billion from the private sector. Whilst it might reasonably be anticipated that up to a point both HIP and RSL related expenditure is potentially within the local influence of the pathfinder and its local partners that is not the case with the other matching investment which is not to say this will not materialise.
- 135 Ongoing work will be needed on the back of the Financial Plan to produce a Resource Analysis to matched funding at a programme-wide level in terms of:
- ◆ ‘funding committed in detail’ - covered by explicit approvals;
 - ◆ ‘funding committed in principal’ - within approved Annual Investment Plans for the partner organisations;
 - ◆ ‘not secured’.
- 136 The detailed Financial Plan also identifies substantial matched funding from other sources such as English Partnerships, NRF and NWDA which is not necessarily reflected in the main prospectus but which is to support a range of interventions including non-housing related activity such as improvements to commercial premises. Letters of comfort have subsequently been received from NWDA, the Housing Corporation and English Partnerships which suggest the proposed matched funding from those sources is not unrealistic.
- 137 As regards private sector matched funding, it is assumed that figures are based on a combination of standard ratios of likely levels of leverage based on different types of intervention which in turn are based on previous experience and typical unit costs for particular types of activity such as new- build housing. It is not clear how much of the projected private matched funding is directly attributable to Market Renewal investment and how much is investment which would take place within the Pathfinder anyway although the Pathfinder has stated that all private sector investment in new-build housing is genuinely additional. It is assumed the additionality in this instance would come, for example, from Market Renewal funding being used to assemble sites for the private sector to develop.

138 In terms of deployment of resources by area activity within the early years of the programme will understandably be concentrated in neighbourhoods where plans are most developed. It will also partly, but not exclusively, build upon the need to create opportunities for new development through creating an attractive climate for investment. It is intended this will be achieved through acquisition, clearance, environmental and property improvements. It builds on the approach to identification of priority investment zones resulting from approaches such as Liverpool's Strategic Investment Framework for the Inner Core.

Value for Money

139 In order to demonstrate value for money, it is necessary to understand the nature of the existing problem and how it is likely to develop in the future. Potential options to bring about market renewal can then be evaluated, comparing their cost with their associated outputs and outcomes and what would have happened without any intervention.

140 In terms of apportioning the total projected resources across the various activity headings for the first three years the two largest headings are housing clearance and new development. However, private funding accounts for the bulk of the cost of the latter so that in Market Renewal funding terms resource deployment would be concentrated on clearance, improvements to retained stock, environmental improvements and staffing and resources. Whilst the financial figures provided are based on a combination of both project and unit cost –derived data it is not clear how the exact apportionment between intervention headings has been arrived at.

141 Of the £137million Market Renewal resources requested for years one to three nearly £17million is for 'Resources, Staffing and Professional Fees'. The Pathfinder has provided a breakdown of this which includes consultants' fees, publicity and marketing, legal support, professional fees, investment in IT and consultation. Experience of previous regeneration programmes suggest that impact is reduced if insufficient revenue resources are deployed to support delivery.

142 In terms of securing value for money the Pathfinder and partner local authorities recognise the importance of open and fair procurement of services. They intend to apply processes which comply with the Egan principles, strategic partnering, benchmarking and open-book accounting. They have already demonstrated this through the issuing of OJEC notices in respect of seeking partners in the tripartite partnerships for priority zones. There is not however any reference to the development of consistent financial and other procedures specific to the NewHeartlands programme. Given the scale of funding and timescales over which the programme would be delivered it would strengthen NewHeartlands and processes if a separate Procedures Methodology was developed detailing systems, procedures and responsibilities in relation to financial management, appraisal, procurement, value for money, monitoring and evaluation. Whilst this will need to be produced within reasonably short timescales this should in no way be taken as justification for delaying funding where the individual case for particular early interventions can be made.

143 In addition, the Pathfinder will need to work with its partners to produce standard benchmarking and unit costs measures against which it can gauge value for money between comparable activities across the Pathfinder area whilst accepting that factors such as land values will vary between local areas.

Deliverability

- 144 The NewHeartlands programme in association with its public sector and RSL partners would be investing over £300million in the area in a period which would effectively be a little over two years to March 2006. This includes £137million Market Renewal funding and over £160million of other public funding. Over £100million of this would be for acquisition/demolition and strategic site assembly both of which are conventionally unpredictable in terms of programme management, involving as they do acquisition of a large number of separate interests and potential for quite lengthy statutory and non-statutory processes.
- 145 Were Compulsory Purchase Order procedures to be necessitated, for example, this could take up to two years or more to complete which would make them virtually redundant as an option in the early years of the programme. It is unclear what contingencies the Pathfinder has in place to reduce or remove such barriers to delivery or to deliver alternative interventions if problems are encountered although it is understood the Pathfinder has built over-programming into its calculations. The Risk Assessment makes general references to the importance of having robust defence and strategies for dealing with CPOs and suggests that pending legislation may assist. The fact that such legislation is not yet in place must raise some questions over deliverability in the short-term if it relied on such mechanisms.
- 146 Given the complex pattern of delivery which results from such a broad range of interventions relying on a large number of different players across a large area it will be essential that there are clear programme management and monitoring arrangements in place. Whilst the role of the Pathfinder Team will be key it is also intended to utilise dedicated delivery teams within each of the local authority areas. The Pathfinder has produced a flowchart which sequences the necessary steps involved for a typical redevelopment scheme from Acquisition by agreement to development beginning on site. This is a potentially useful approach which could help to improve consistency of approach across the Pathfinder area and could be expanded to include provisional timescales and clear responsibilities and incorporated into the Procedures Methodology.
- 147 The local authorities and their partners have a good track record of delivering complex regeneration programmes often through developing new approaches. The Speke Garston programme for example was responsible for over £17million of SRB funding over a five-year period as well as substantial Objective 1 funding. Speke Garston Partnership operated alongside Speke Garston Development Company to deliver wholesale transition in one of the key areas of the city. However, a number of the tools the NewHeartlands Pathfinder is seeking to use to achieve its objectives are still under development, particularly around support for homeowners and new partnering arrangements. This may create problems in the early programme of demolition and site assembly during a period of such major transition, notwithstanding the Living through Change programme, although a number of tools already exist including Renovation Grants and Home Repairs Assistance.

- 148 There has clearly some thought been given to addressing capacity issues in respect of delivery. One example of this is the LNRS Skills and Knowledge Programme which has been used to develop skills of Liverpool LSP partner agencies' middle managers through an intensive leadership programme. It is proposed to produce a Skills Audit for the City Council and LSP partner staff to ensure they have the necessary regeneration-related skills. The Merseyside Construction Initiative will also play a role in building capacity within the construction industry in order to support the Pathfinder programme through a period where there will be a large amount of concurrent housing construction on 'competing' transfer programmes and redevelopment schemes. Initiatives such as JET have a pivotal role to play in matching local people up to job and training opportunities arising out of Market Renewal and related investment. This could be extended to ensure maximum benefits from investment flowing through the construction industry particularly in terms of what are sometimes referred to as the Finishing Trades- plumbers, electricians, joiners and decorators.
- 149 Ambitious assumptions about future economic growth are central to Liverpool's argument about projected population growth and household formation. It is suggested that the Merseyside economy will lag behind that of the UK by 0.5 per cent in terms of growth over the next decade although the Demand Study regards this as 'relatively pessimistic'. The Liverpool Core City Prospectus sets a target for Liverpool of exceeding average UK Gross Value Added (GVA) by the year 2013 which it is estimated would require growth at 1.2 per cent pa above the UK average. The Pathfinder has also pointed to more recent indicators of economic growth which suggest Liverpool's economic growth in the period 1995-2001 exceeded the UK rate by 0.5 per cent. The target population for 2013 is 60,000 more than the current population and 67,000 higher than the 2016 estimate based on 1996 projections. The Pathfinder has explained that the target population figures for Liverpool should be regarded as 'aspirational'. This should be seen against a backdrop of both historic decline and a faster population decline shown by the actual 2001 Census than predicted in the 1996 projections.
- 150 However, it could be argued that some of this work around projections does not take account of opportunities presented by Liverpool's status as European Capital of Culture 2008 or likely concentration of investment on growth sectors which may strengthen the Merseyside case. The Merseyside Housing Demand Study suggested that if growth in Liverpool reached the national average, population loss in Liverpool could be stabilised. This could create demand from an additional 8,000 households by 2011. It concludes there is sufficient regional demand to support 1,000 new units per annum for owner-occupation. Alternatively however, the Liverpool Economic Assessment produced by DTZ Pinda as recently as October 2003 suggests that both short-term (between 2001 and 2006) and long-term (between 2001 and 2015) Liverpool's economy will out-perform that of Merseyside as a whole but continue to be below the national average growth rate. It appears to be possible to use the supporting information to present both a negative and a positive picture of the likelihood of growth and it would therefore be beneficial to complete further work to clarify this issue building in analysis of 'people-related' data, migration patterns and relationship between adjacent areas. This would help to answer the question of whether growth can be facilitated in Liverpool without impacting negatively on surrounding areas. The need for this additional work should in no way be taken as justification for delaying funding where the case for early intervention can be made indeed given the scale of the challenge faced in the area it is likely substantial Housing Market resources will be required irrespective of whether the chosen strategy is based on growth or any other objective. Nor would it be true to say the existing strategy is solely based on growth in any case.
- 151 To summarise, in respect of deployment of resources and deliverability there are more areas for further development than strengths. The Pathfinder has set itself

ambitious matched funding targets which it will be required to secure both in the short and long-term to deliver the NewHeartlands programme in the way envisaged. For the programme to be successful it will have to attract significant levels of private sector investment. As would anticipated at a comparatively early stage in a 10/15 year programme the majority of both public and private complementary investment has yet to be secured. The exact complementary relationships between Market Renewal and other funding is not clear in terms of how it has been decided what each will support. Activity within early years of the programme will be concentrated on areas where proposals are further developed. The Pathfinder recognises the importance of securing value for money and of open and fair procurement. This and detailed proposals for appraisal and monitoring would benefit from being enshrined within a Procedures Methodology

- 152 The programme up to 2006 will substantial public sector investment and will rely heavily on the ability to acquire and demolish properties and assemble strategic sites. It is not clear whether this is realistic within the prescribed timescales or what contingencies are in place when problems occur. The Pathfinder has developed procedures flowcharts which describe the path to be taken towards the redevelopment of sites and the local authority partners have a good track record of delivering complex regeneration programmes. There has been some importance placed on addressing skills capacity within the delivery agencies themselves. The approach to growth outlined within the Liverpool part of NewHeartlands and its Core Cities prospectus are founded on assumptions of economic growth which appear either ambitious or 'aspirational'. Further work particularly around 'people-related' data, migration patterns and adjacency would help to prove the growth case is possible without creating negative impacts elsewhere.

Community

- 153 It is important that local communities have been consulted on the problems affecting their neighbourhoods and the proposals for making changes for the better. This is to ensure that the perceptions of the Pathfinder are consistent with the experience of local people and that local people understand and consent to the proposals. Existing communities are themselves agents for market renewal, as their actions, based on their perceptions of the area and what is happening to it, will help determine the nature of the area in the future.
- 154 There is clear commitment from the Pathfinder to community consultation and engagement. This will operate at a series of different levels using existing engagement mechanisms as far as possible. Whilst mechanisms used to date have varied between local authority areas they have included: LSPs, Cluster Partnerships, Thematic Partnerships and Thematic groups; bodies operating under the NRS umbrella such as Priority Neighbourhoods and Neighbourhood Action Groups and; community and voluntary sector networks and tenants and residents associations.
- 155 There are already well developed consultation mechanisms in place across the Pathfinder area.

156 In Liverpool engagement will take place through:

- ◆ its LSP which has community representation;
- ◆ three of its five Cluster Partnership Boards;
- ◆ 15 of its 22 Priority Neighbourhoods which have fulfilled a similar role for NRS; and
- ◆ existing structures in housing priority areas.

In Sefton it will be through:

- ◆ its LSP;
- ◆ the Neighbourhood Regeneration Thematic Group which has community sector representation;
- ◆ four Neighbourhood Area Panels which include support from dedicated Neighbourhood Renewal Officers; and
- ◆ eight of its 13 Neighbourhood Action Groups whose membership is drawn from local neighbourhood groups and individual residents.

In Wirral it will be:

- ◆ the LSP;
- ◆ seven Thematic Partnerships;
- ◆ four of its five Neighbourhood Partnerships;
- ◆ three of its eight Area Forums; and
- ◆ the Community and Voluntary Sector Network, Federation of Tenants' and Residents' Associations and twenty-two individual residents associations.

These will also therefore be a potentially valuable means of encouraging broader community cohesion.

157 This approach will be similar to the activity undertaken in Liverpool in respect of Kensington New Deal and Anfield Breckfield. In Sefton there is evidence of active consultation and engagement on the NewHeartlands programme already through the Waterloo and Bedford/Queens Road Neighbourhood Development Plan. This is also true in Birkenhead in Wirral through the 4Bs Partnership and Birkenhead Regeneration Partnership, in South Seacombe and Egremont.

158 NewHeartlands has expressed an intention to adopt appropriate mechanisms for engaging hard to reach groups such as black and minority ethnic groups and people with disabilities. It is not clear from the Prospectus how these groups will be identified and targeted or how the engagement processes will operate in practice.

159 There is clear evidence that local communities have been engaged in the process to date and a clear overall view for how they will continue to be involved in future based largely on existing mechanisms. The process has also been strengthened through development of a formal Communications Strategy which lays out a clear framework and expectations for how local residents will be consulted with a dedicated budget. This could be further developed to clarify appropriate pathways for residents themselves who may wish to become more engaged in local activity.

160 In summary, in terms of community engagement there are mainly strengths with almost no areas for further development. There is evidence of a comprehensive network of existing engagement structures which should prove to be a valuable resource in facilitating community involvement. Use of existing mechanisms should also help to encourage a broader cross-initiative response to the needs of local communities. There is clear commitment from the Pathfinder to making it work effectively. Clear responsibilities and resources for ongoing engagement have been formalised through the Communications Strategy. This could also form a useful basis for identifying clear pathways to more active involvement from communities.

Governance

161 The activity of the Pathfinder must be accountable to funders, local residents and stakeholders with clear roles and responsibilities allocated between the partners. All partners must fully subscribe to the aims of the programme and be able to meet their responsibilities for delivering it.

Accountability and Partnership

162 NewHeartlands is a new organisation. Its Board first met in August 2002. It is primarily a partnership between Liverpool, Sefton and Wirral local authorities. Although the Board includes non-local authority representatives they have no voting rights. The Partnership Constitution has not been made available as part of the submission but it appears that the Partnership is not a formal legal entity and relies almost exclusively on the three local authorities to exercise its duties. Liverpool City Council is the Accountable Body. It is not clear how the City Council offsets its own liabilities in respect of decisions taken by the other two authorities or how it separates its functions as Accountable Body and delivery agent although an accountable Body Officer has been appointed. Each local authority uses its own existing governance arrangements. There is currently no representation on the Board itself from either the private sector or community organisations.

163 Recognising the need to develop its governance arrangements NewHeartlands proposes developing a new independent Board with wider representation primarily from inclusion of three private sector representatives and two others who may be drawn from Further Education and the NWDA. Recruitment for these positions is currently underway. It is unlikely membership will extend any further to include for example community umbrella organisations, the Police or Health interests. The work of the Board will be supplemented by operational groups which include a Lead Officers Group, a Housing Association Forum and Private Sector Forum. It is recognised that Liverpool will need to separate its Accountable Body and delivery functions and need to pass on these responsibilities to other partner local authorities through appropriate SLAs. The first step towards this has been to appoint the Accountable Body Officer.

164 It is not clear what arrangements will be put in place to appraise, approve and monitor individual interventions, whether this will be the responsibility of the Pathfinder or the local authorities or whether there will be a consistent approach to issues of procurement and Best Value. It is not clear at this stage what the timescales will be for these new arrangements other than they are 'subject to the award of HMRI funding'.

- 165 The Pathfinder has now recruited an experienced Managing Director and is in the process of developing a dedicated support team. The size, skills, experience and delegated responsibilities of the team are not clear from the Prospectus. The local authorities have or are putting in place dedicated support to ensure effective delivery at the local authority level. The exact split in responsibility between the Pathfinder Board, the three local authorities and their delivery teams and the Pathfinder core team can not be determined from the submission.
- 166 In summary, in terms of governance arrangements there are more areas for further development than strengths mainly as a result of the proposed new structures not yet being in place. The Partnership is not a formal legal entity and relies almost exclusively on the three local authorities to exercise its duties. It is not clear how the City Council offsets its own liabilities in respect of decisions taken by the other two authorities or how it separates its functions as Accountable Body and delivery agent. Each local authority uses its own existing governance arrangements. There is not currently any representation on the Board itself from either the private sector or community organisations. However, the Pathfinder recognises these deficiencies itself and has some broad proposals which if implemented will make the governance process much more robust.

Outputs and Outcomes

- 167 The market renewal programme must be clear about the results that will be achieved, with targets for both outputs and outcomes that can be monitored over time to show the effectiveness of the programme in bringing about change in the Pathfinder area.
- 168 In order to achieve some consistency across Pathfinders, ODPM has issued compulsory core performance indicators which each Pathfinder will need to collect and collate of which nine relate to either outputs or outcomes. Output measures include:
- ◆ numbers of homes constructed, improved or demolished;
 - ◆ unit costs;
 - ◆ numbers of homes benefiting from enhanced (neighbourhood) management; and
 - ◆ numbers subject to non-housing (environmental) works.
- 169 Outcome measures include:-
- ◆ total hectares of land made available for final use;
 - ◆ number and percentage of homes vacant for more than six months; and
 - ◆ number and percentage of homes subject to low demand;
 - ◆ reduction in number and percentage of low value house price sales and;
 - ◆ number and percentage of householders intending to move from their neighbourhood within the next three years.

With the exception of these last two measures data collection will be the responsibility of the pathfinder itself.

- 170 As regards 'outputs' the Pathfinder has presented a number of lifetime targets both Pathfinder-wide and broken down by the three local authority areas. These Pathfinder targets include:
- ◆ 284 Ha of land reclaimed;
 - ◆ over 20,000 houses demolished;
 - ◆ over 14,000 new-build private houses;
 - ◆ over 4,000 new affordable houses; and
 - ◆ nearly 13,000 homes refurbished.
- 171 There are no similar targets presented for the short-term (three years) or the medium-term (seven years) which makes it extremely difficult to comprehensively assess the impact of the programme over the period to March 2006 for which initial resources are sought. It will also make it difficult to monitor ongoing impact.
- 172 In relation to 'outcomes' NewHeartlands has supplemented the core measures with a small number of its own local measures. These include the percentage of private sector homes built on brownfield sites, stabilising population levels and altering the relative proportions of A-B and C-H Council Tax Band properties in favour of the latter. Unlike the outputs these are presented as three-year, seven-year and lifetime targets. However, also unlike the outputs, outcomes are not presented Pathfinder-wide but rather for each of the three local authority areas within the Pathfinder. It is possible to deduce some of these cumulative targets by manually adding targets from each of the individual area pro-formas where they are expressed in numbers. However, that is not the case with a number of the targets which are solely expressed in percentage terms for example 'per cent of new private sector homes built on brownfield sites' and 'per cent of properties by Council Tax Band'. As with output information this makes it extremely difficult both to understand the baseline position, to comprehensively assess the likely impact of the programme and monitor and evaluate its ongoing impact.
- 173 There are additional local outcome cross-Pathfinder measures NewHeartlands may wish to consider which will help them to monitor progress. These include both hard data such as increase in homeownership and soft data such as levels of confidence, community cohesion and neighbourhood satisfaction, which would require surveys. They could also include non-housing related hard data such as crime levels and educational attainment. With further development both of measures and geographical coverage Liverpool City Council's 'Liverpool Asset Management Project' ('LAMP') could assist with a more sophisticated suite of appropriate data.
- 174 The Prospectus recognises the importance of effective monitoring and evaluation. The over-arching principles of the Pathfinder's approach to evaluation are that self-evaluation is vital to delivery, that learning lessons between authorities and Pathfinders will have a key role to play and that consideration will be given to appointing external programme evaluators at the outset. It recognises that monitoring and evaluation need to operate at a wide range of different levels - from project-specific to region-wide. It puts forward a number of issues which will need further consideration in developing an effective framework without detailing specifics of which data will be collected, from where, why, by whom and how often.

175 In summary, in terms of outputs and outcomes there are more areas for further development than strengths. Short and medium-term output targets need to be more fully developed. Pathfinder-wide baselines and outcome measures need to be made more explicit. However, the Pathfinder recognises the principles behind effective monitoring and evaluation and the issues which will need to be addressed in developing an appropriate system. This will only be effective if output and outcome data is developed early in the process.

Summary of theme strengths and areas for further development

| Theme | Grade | Strengths | Areas for further development |
|------------------------------------|-------|---|---|
| Information base (page 14) | B | <ul style="list-style-type: none"> • Specific hard data to support housing market analysis. • Clear picture of target area and challenges faced. • Recognition of need for programme alignment. | <ul style="list-style-type: none"> • Development of migration and 'people-related' data to better inform housing supply and demand. <p><i>(Recommendation 2)</i></p> <ul style="list-style-type: none"> • Evaluation of lessons learned from previous regeneration programmes. <p><i>(Recommendation 11)</i></p> <ul style="list-style-type: none"> • Aggregation of data up to Pathfinder level. <p><i>(Recommendation 1)</i></p> |
| Impact of Adjacent Areas (page 20) | C | <ul style="list-style-type: none"> • Acknowledgement of the importance of the impact of both Planning policies and 'competing' activity in the sub-region and beyond on the NewHeartlands area. | <ul style="list-style-type: none"> • Analysis of the dynamics of how those adjacency factors impact on demand in Pathfinder area. <p><i>(Recommendations 2 & 3)</i></p> <ul style="list-style-type: none"> • Analysis of migration patterns. <p><i>(Recommendations 2 & 3)</i></p> |
| Stakeholder involvement (page 22) | A | <ul style="list-style-type: none"> • Well developed plans to formally engage key RSLs and private house-builders through formal partnering arrangements. • Formal strategy for engaging other key stakeholders. • Private landlords will be drawn in through the Accreditation Scheme. • New Forums will be developed to facilitate closer joint working with RSLs, the private sector and private landlords. | |

| Theme | Grade | Strengths | Areas for further development |
|------------------------|-------|--|---|
| Drivers (page 24) | C | <ul style="list-style-type: none"> • Evidence of a wide-range of factors which potentially produce potential market failure or success. | <ul style="list-style-type: none"> • A clearer understanding of the relative importance of individual drivers. • A clearer analysis of how they interact and combine to influence housing markets. • Further development of a cross-Pathfinder housing market analytical tool. <p><i>(ALL Recommendation 1)</i></p> |
| Solutions (page 27) | C | <ul style="list-style-type: none"> • Clear vision and strategy. • Potential for a 'joined-up' approach. • Adoption of some tried and tested approaches. • Risk management frameworks identify most of major risks. | <ul style="list-style-type: none"> • Clearer definition required of how neighbourhoods 'fit together' across the Pathfinder. <p><i>(Recommendation 4)</i></p> <ul style="list-style-type: none"> • Further development of risk management strategy. <p><i>(Recommendation 6)</i></p> <ul style="list-style-type: none"> • More explicit linkages between interventions and identified market drivers with a clear statement of which interventions are critical to success and which are more peripheral. <p><i>(Recommendation 11)</i></p> <ul style="list-style-type: none"> • Demonstration of Additionality. <p><i>(Recommendation 11)</i></p> <ul style="list-style-type: none"> • Development of a strategic approach to option appraisal. <p><i>(Recommendation 11)</i></p> <ul style="list-style-type: none"> • Identification of a clear relationship between the overall strategy and specific interventions outlined in local investment frameworks. <p><i>(Recommendation 12)</i></p> |

| Theme | Grade | Strengths | Areas for further development |
|------------------------|-------|--|--|
| Resources (page 36) | C | <ul style="list-style-type: none"> • Matched funding targets. • Proposals to address capacity within delivery organisations and the construction industry. • Some early activity concentrated in areas where proposals more clearly developed. | <ul style="list-style-type: none"> • Resource analysis outlining status of matched funding. <i>(Recommendations 5 & 7)</i> • Development of a Procedures Methodology outlining approaches to financial management, procurement, appraisal, monitoring and evaluation. <i>(Recommendation 13)</i> • Strategic approach to assessing risks and capacity to deliver. <i>(Recommendations 6 & 11)</i> • Deliverability against growth projections. <i>(Recommendation 2 & 3)</i> |
| Community (page 41) | A | <ul style="list-style-type: none"> • Evidence of a comprehensive network of existing engagement structures which should prove to be a valuable resource in facilitating community involvement. • Use of existing mechanisms should help to encourage a broader cross-initiative response to the needs of local communities. • Clear commitment from the Pathfinder to making it work effectively. • Formalised consultation processes through the Communications Strategy. | |

| Theme | Grade | Strengths | Areas for further development |
|-------------------------|-------|--|---|
| Governance (page 43) | C | <ul style="list-style-type: none"> Existing Partnership Board which encourages cross local authority working. Plans to develop arrangements to make them more robust. | <ul style="list-style-type: none"> Formal legal agreements to be put in place between the various parties. Broadening Board representation. Increased clarity of roles and responsibilities. Implementation of Pathfinder's own current plans to enhance governance. <p><i>(ALL Recommendation 8)</i></p> |
| Outcomes (page 45) | C | <ul style="list-style-type: none"> Clear lifetime output targets. Some clear 3, 5 and lifetime projected outcomes on a sub-Pathfinder area basis. Broad plans for development of a sophisticated monitoring and evaluation process. | <ul style="list-style-type: none"> Consistent and coherent short and medium term output targets. Projected Pathfinder-wide outcomes need to be more explicit. A detailed monitoring and evaluation framework needs to be developed. <p><i>(ALL Recommendation 9)</i></p> |

Scoring key:

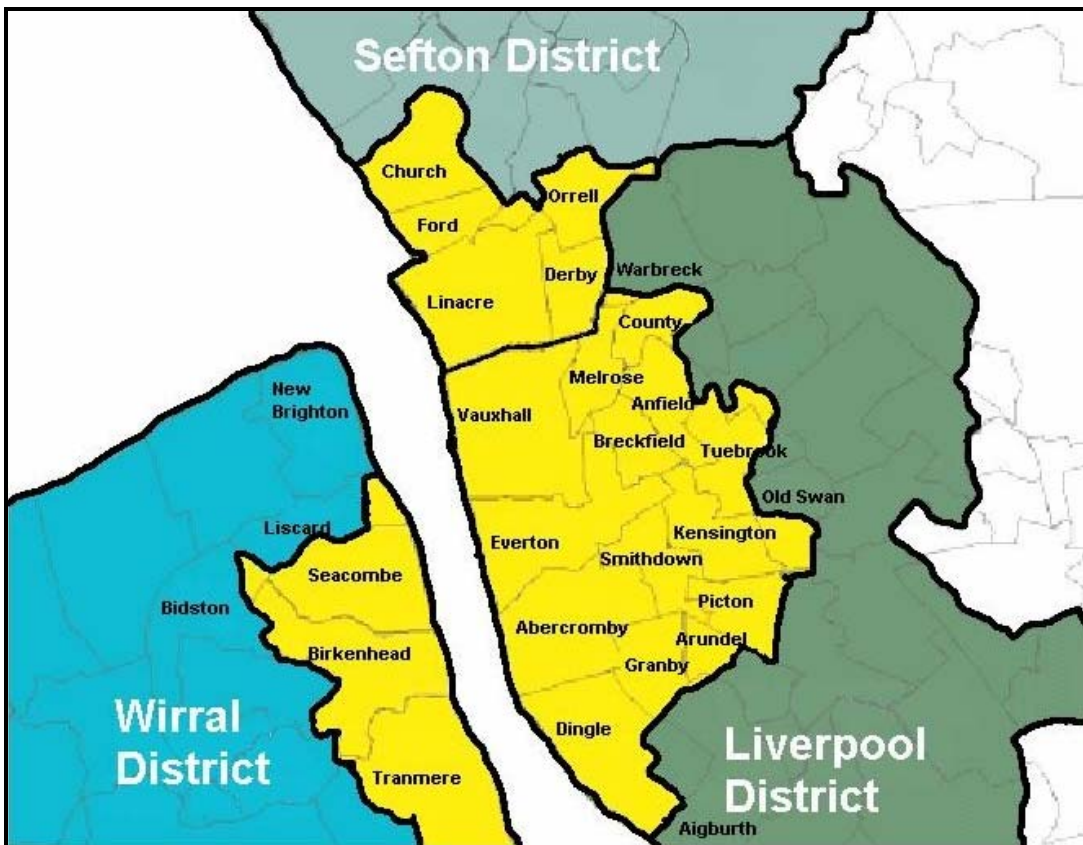
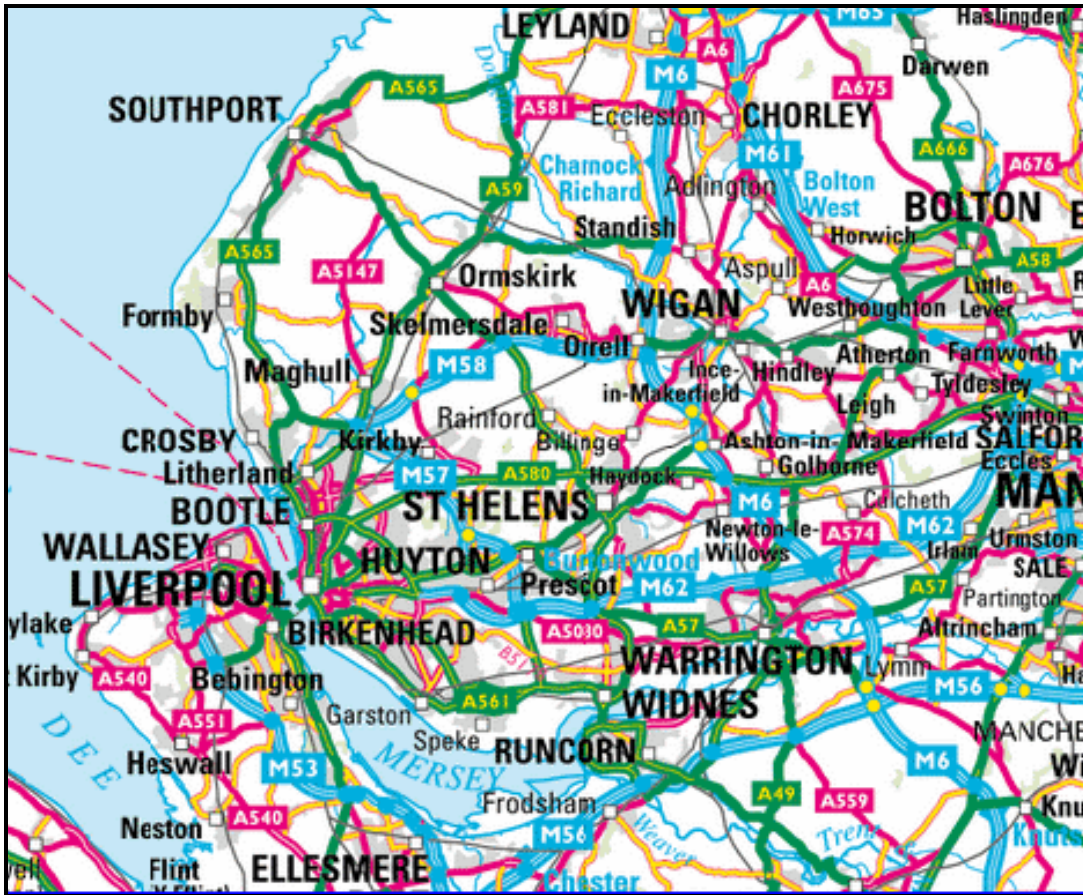
A – mainly strengths with almost no areas for further development

B – more strengths than areas for further development

C – more areas for further development than strengths

D– mainly areas for further development with almost no strengths

Appendix 1 Maps of NewHeartlands area



Appendix 2 List of documents included in scrutiny process

In addition to the NewHeartlands Prospectus and Strategic Integrated Investment Frameworks for Liverpool, Sefton and Wirral the following documents were considered during the scrutiny process.

1. Changing Housing Markets and Urban Regeneration in the M62 Corridor – University of Birmingham 2001
2. Understanding the Liverpool Housing Market: Reversing Decline and Managing Change – University of Birmingham 2003
3. Developing a Housing Investment Framework for the Inner Core of Liverpool – University of Birmingham Jan 2001
4. Measuring the Sustainability of Neighbourhoods in Liverpool – University of Birmingham 1999
5. Private Rented Housing in Liverpool: An overview of current market conditions – University of Birmingham 2001
6. Changing demand: Making the Links between Housing and Planning on Merseyside – University of Birmingham 2001
7. A Comprehensive Regeneration Framework for the Eastern Fringe Estates – University of Birmingham 2001
8. Liverpool's Housing Market Research Programme 1999-2001: A review of the Main Findings and Policy Recommendations - University of Birmingham 2001
9. Stabilising the Population of Liverpool: Employment Markets and Housing Choice – University of Birmingham 2001
10. Construction Review and Initiative – Amion Consulting Dec 2001
11. Employment in Healthcare in Liverpool – Amion Consulting May 2003
12. Citywide Private Sector Stock Condition Survey – David Adamson & Partners 2000
13. NewHeartlands HMRI: Private Sector Stock Condition Survey - David Adamson & Partners 2003
14. Liverpool Asset Management Project – DTZ Piedad December 2002
15. Merseyside Housing Demand Study - DTZ Piedad 2003
16. Business Plan for the Merseyside Social Inclusion Observatory - DTZ Piedad 2003
17. Scoping Report on Neighbourhood Delivery Plans – EDAW April 2003
18. European Capital of Culture 2008: Socio Economic Impact Assessment – ERM Economics 2003
19. Public Sector Stock Condition Survey, Database Manual – FPD Savills December 2002
20. Developing an Integrated Approach to Housing and Planning on Merseyside – GVA Grimley January 2002

21. Audit of Urban Capacity Studies on Merseyside - GVA Grimley June 2002
22. Regional Economic Strategy – North West Development Agency 2003
23. North West Regional Housing Strategy – North West Regional Housing Board 2003
24. Urban Renaissance Characteristics of EU Non-Capital Cities: Final Report to Core Cities Group – Parkinson M et al. July 2003
25. An Action Plan for the City Region 2002-05 – The Mersey Partnership 2002
26. Merseyside Economic Review 2003 – The Mersey Partnership 2003
27. Merseyside Urban Housing Capacity Study: Market and Economic Viability Interim Report – White, Young, Green & Chesterton 2003