

# HOUSING SCANDAL!

## PATHFINDER: A POSTMORTEM

A Report by Bill Finlay and Jonathan Brown,  
commissioned by SAVE Britain's Heritage

### INTRODUCTION

#### **A Nightmare on your Street - the Ruins of Pathfinder**

Jonathan Brown

Pathfinder showed the best and worst of New Labour's domestic face - but mainly the worst.

Lavishly funded, focused on England's poorest areas and with ironclad political cover from John Prescott, the £2.2bn 'Housing Market Renewal' quangos brought a once-in-a-century chance of 'transformational change' to marginalised neighbourhoods - and screwed up in style. Few government programmes have ended quite so literally in misery and ruins.

#### **If the motivation was good, the method of execution was fatal.**

From the start, Pathfinder showed an appetite for destruction. Secretive, top-down and target driven, hundreds of thousands of private homes were condemned in back-room deals between public officials and developer interests, before any proper surveys of their residents or refurbishment potential.

The classic English terraced house was demonised as 'obsolete'. Whole neighbourhoods were declared surplus at the keystroke of a consultant's laptop. Bureaucratic arrogance reduced communities to inmates of a 'ZOO' - Zone Of Opportunity - for house-builders. Statisticians assumed compulsory purchase and eviction for demolition were acceptable measures for householders in a property-owning democracy.

#### **Quite predictably, the cure turned out worse than the disease.**

The nine super-quangos haemorrhaged public money, handing millions to the same consultancy firms who championed the policy. Auditing was led by an ex head of housing at Liverpool City Council, who had helped set the idea in motion. Housing Association heads and local authority officers willing to 'decant their stock' of tenants were rewarded with six-figure salaries, hoarding lucrative land-banks subsidised at ludicrous discounts. Professionals charged

heavenly bills for Public Inquiries, whilst elderly owner-occupiers were stripped of equity earned over a life time.

As the new government vacillate over calling time on catastrophe, whole districts lie half-demolished and derelict. Vulnerable households are left stranded in terrifying twilight streets. Communities have been abandoned by their public authorities, deserted by developers once lauded as saviours. Housing waiting lists have mushroomed and countless individuals displaced. Public spending has been brought into disrepute, and a once in a lifetime opportunity lost.

Whatever isolated and expensively procured success stories Pathfinder apologists point to, their abiding legacy will be seen as a baleful decade of delay, decay, dereliction and demolition.

### **How did it come to this? A Brief History of HMR.**

No question, the North was crying out for investment when New Labour came to power in 1997 - as much of it still is.

Decades of slow industrial decline had careered into the bloody Thatcherite crash. There was no boom and bust in 80s industrial England, just doom and bust - one hard, deep, bitter recession stretching well into the next decade. Mining and making were written off, and those thrown out of work advised to 'get on their bike'. Impacts of poverty on society were hard to resolve when the government claimed there was no such thing. There were riots, strikes and municipal melt-down.

By the end of the 1990s, parts of England's northern towns and cities were making headlines for 'abandonment', with tabloid tales of homes swapped for the price of a secondhand Sierra. Academics warned of 'acute market failure', prophesying that in affected areas, values would never 'correct'.

Their theory was that towns with 'chronic oversupply' of downmarket terraces risked abandonment, waiting in vain to attract people or investment back, because house-buyers could not expect the rise in values familiar in 'sustainable' markets. Offering life-support to such neighbourhoods without resolving market failure would be cash down the pan.

The solution was brutally simple - if an excess of terraced houses was a weight around northern England's neck, then the noose must be removed. No matter if the inhabitants wanted to stay - most were 'non-aspiring' and poor, out of profile with New Britain.

The government funded 'Northern Way' think-tank cited the extraordinary figure of 400,000 'unsustainable' dwellings in need of demolition, not on the basis of poor condition, but rather their location and type. Bizarrely, civil servants, under heavy lobbying, selected a handful of major housebuilders and social landlords as delivery partners - as if the solution to alleged oversupply were to be found in the boardrooms of housing providers.

## **Why didn't it work? Anatomy of Failure.**

Perhaps the saddest irony is that such negative narratives of low demand, abandonment, obsolete housing and unsustainable neighbourhoods came on the very cusp of a partial but truly dramatic recovery of English cities, which were beginning to reverse population decline dating back even beyond the 1960s clearances.

Building on the wiser regeneration policies of Heseltine and Prescott, and fuelled by the era of easy finance, the centres of Liverpool, Manchester, Birmingham Sheffield and Newcastle experienced a property and construction boom not seen for two generations.

Migration from the over-heated south east, international immigration and a booming Higher Education sector were all helping drive strong housing demand in the North. Footloose and savvy development firms had spotted the potential to rebrand defunct industrial buildings through clever design and marketing, growing new housing markets in urban areas. Even mainstream builders were catching on to the appeal of urban living in apartments and townhouses.

Entrepreneurial outfits like Urban Splash and Regeneration Express showed how this model could be applied to undervalued terraced streets, adding value whilst keeping historic fabric intact.

Tragically, this came just as Pathfinder propaganda was writing off the very neighbourhoods set to benefit from buoyant investor confidence. Refurbishment specialists were turned away whilst the quangos' vast acquisition budgets were soaked up by speculators, stalling 'site assembly' as previous land values were torn up.

Pathfinder's dubious doctrine of 'Housing Market Renewal' actually sealed in the very rot it purported to resolve - the supposed solution became the all too real problem.

## **The Charge Sheet**

Housing Market Renewal Pathfinder's crude interventionism ignored a whole series of dangerous flaws in its theory, which, as Bill Finlay's devastating critique shows, were glossed over as the 'poacher turned gamekeeper' Audit Commission both scrutinised and ran the show.

There are as many charges to choose from as residents evicted, solid homes destroyed or individual opportunities foregone - but here are ten to set the trial in motion:

### **1 Markets adjusted beyond quangos' control.**

Late 90s low demand and ultra low value housing proved a passing phenomenon, and soon became a relic from the recessionary 80s/90s as the number of households chasing homes increased.

Instead of facilitating the spread of urban renaissance, Pathfinders sealed in the rot and blighted artificially 'seized' markets within unfortunate red-lined streets.

## **2 Pathfinders talked places down rather than built them up.**

I recall a conference in Manchester where I heard a Pathfinder boss describe inner Liverpool as an 'urban hell'. I thought this a strange way for a highly paid official to inject confidence in her housing market, and a crude travesty of a complex, historic metropolitan core. In common with many Pathfinder areas, such neighbourhoods certainly contain deep deprivation, but also sustain a rich array of ethnic and cultural diversity, small and large businesses, great arterial boulevards, grand Victorian parks, conservation areas and a thriving University life.

## **3 Pathfinder diagnosed the wrong causes.**

Put bluntly, it's the economy, stupid. Jobs and access to them are the real issue, not low house prices or terraced streets, which in many cases offer the solution to attract new residents and turn markets round. In the big cities, HMR money could have created permanent jobs through green retro-fit refurbishment, managed workspace and land trusts. In a remote place like Accrington, Pathfinder millions would have been more wisely spent reviving good public transport links to job markets in central Manchester and Preston.

## **4 Pathfinder prescribed a dangerous and discredited medicine.**

Demolition of the very layouts that sustain cosmopolitan urban living, and replacement by poorer quality suburban density forms, simply repeated planning mistakes of 1960s and 70s clearances.

'The intrinsic urban quality of the streets, with their street trees, mix of uses and high-quality materials [stone, slate and brick], is seldom reproduced in lower-density replacements. Thus, the replacement dwellings will not last as long or be as attractive as those they are replacing.

Clearance and rebuild to an ever lower standard maintains a vicious circle across the inner city: the cycle of decay and renewal is being accelerated - it is the very opposite of sustainability.' Trevor Skempton RIBA, President of the Liverpool Architectural Society.

## **5 Pathfinder ignored sensible solutions.**

Clearance targets disdained not just refurbishment, but other well tried and usually much cheaper packages of regeneration improvements, like investing in better schools, play-streets and parks. Most neighbourhoods are repaired

and renewed without any public intervention - home owners and responsible landlords do the job themselves. In poorer areas, most would do the same if they could. Well tried solutions include small bridging grants or measures to improve household circumstances and build market confidence. Instead of nurturing neighbourhood confidence with sensitive interventions, Pathfinder simply wrote them off.

## **6 Pathfinder distorted local democracy.**

Councils chased the grant despite the damaging terms, and suppressed dissenters through sidelining and spin. You can't entirely blame local authorities on, say Merseyside, for turning a blind eye when up to £2.85bn of investment over 15 years was promised by the city-region's New Heartlands quango. That kind of money buys a lot of support, or at least silence - in some cases core functions like Environmental Health ended up relying on HMR for half their funding. But the mainstreaming of Pathfinder funding exacerbated the lack of scrutiny - the main parties acted as a 'demolition coalition', afraid to bite the hand that fed such riches, and professional independence was compromised.

The most disturbing aspect has been the role of Registered Social Landlords (RSLs), the 'third sector' housing associations set up thirty years ago at grass roots level but now morphed into multi-billion organisations, with monopoly landowner status across whole districts. Numerous Senior Councillors have accepted paid roles on RSL Boards, and RSL Chief Executives such as Riverside's c.£240k p.a. CEO Deborah Shackleton in turn sit on regional Leaders Boards. Company law means councillors are obliged to prioritise RSL interests - a blatant conflict when tensions arise.

## **7 Pathfinder rewarded failure.**

Registered Social Landlords (RSLs) 'driven by development ambitions' and complicit officials who were the agents of eviction grew rich while ordinary people lost their hard won equity. The money-go-round between local authority housing officials and the major Social Landlords is dizzying.

Both abused their power to 'switch neighbourhoods off' by 'decanting' tenants en masse before commissioning Neighbourhood Renewal Assessments, which showed areas apparently boarded up, abandoned and therefore 'unsustainable'. RSLs were rewarded for doing deals that orchestrated blight, with vast tranches of interim grant money - 'living through change' - to compensate for lost rental income, and long term monopoly land stakes at knock down prices - pun very much intended.

Unaccountable either to democratic scrutiny or consumer market forces, ruthless Social Landlords have proved immune to public criticism or Parliamentary condemnation. This open letter from cross-bench peer Lord Alton would have shamed a change of approach from most public bodies:

'I recently visited the Lodge Lane Regeneration Group in Toxteth and their representatives showed me, on the ground, publicly-owned properties that have been allowed to stand empty and decay. This is an absolute disgrace.

The Government should tell us how many of the empty properties in the Pathfinder areas are owned by housing associations [70% is typical] and what consideration they have given to requiring these properties to be placed for sale on the open market, with priority given to local residents who would like to become owner occupiers. That would be a more imaginative approach than hiring yet more bulldozers.'

David Alton, Lord Alton of Liverpool, Cross-bench Peer and former Liberal MP

## **8 Pathfinder killed local economies.**

Removal of people means removal of networks of exchange - within and beyond the cash economy - and all the multiplier and supply chain effects they bring.

The received wisdom that people left northern cities because their economy crashed is a partial fallacy - in fact, urban economies crashed in the 70s and 80s in no small part because working populations were shipped out of core neighbourhoods in the clearances, or subsequently fled the mess created.

This historic lesson and folk-memory was lost on the new evangelists of clearance, but the effect was the same - mass eviction and 'decanting' means no customers for shops, no regulars in the local, no congregations for places of worship and no demand for tradesmen or teachers. RSLs were insulated from this hollowing out through Pathfinder subsidy - but small businesses and other services were left to swing in the winds of change. Housing assets acquired for millions are being written down by an astonishing 20% per annum due to Pathfinder blight - enabling their virtual giveaway to developers and RSLs.

## **9 Pathfinder worsened social deprivation and housing need.**

Shelter's report on the effects of HMR in Liverpool makes difficult reading - an increase in over-crowding, homelessness, disproportionate impacts on black and minority ethnic families and poor conditions. To this can be added doubled waiting lists, infestations and blight. Labour minister and Liverpool Wavertree MP Jane Kennedy Called the infamous Edge Lane clearance an act of 'social cleansing'.

The House of Commons Public Accounts Committee found Pathfinders priced out poor owner occupiers, leaving them with an equity shortfall averaging £35,000. In 2008 they warned HMR threatened the distinctive historic character of neighbourhoods, and created a risk that demolition sites rather than newly built homes will be the programme's legacy - exactly what has come to pass.

## **10 Pathfinder was environmentally stupid.**

£2.2bn could have pioneered world leading ecological retro-fit technologies, and kick-started thriving new green economies, but instead simply imposed blandardised bog-standard house-types.

The huge subsidy swilled into Pathfinder areas should have been used to pioneer efficient refurbishment and construction techniques. With enlightened leadership, a truly 'pathfinding' programme would have helped Northern towns build a new knowledge base, raise skill levels and develop manufacturing supply chains ready to compete for contracts in the multi-billion European 'retro-fit' industry. With a few isolated exceptions, it was not to be. Renowned sustainability Professor Anne Power of the London School of Economics damned HMR clearances as 'clumsy, insensitive and wasteful' in her report for the Urban Task Force.

SAVE's brilliant 'Life after Pathfinder' report with Mark Hines Architects shows in detail how more enlightened revival might yet be achieved, without such monstrous waste of public money:

<http://www.savebritainsheritage.org/news/campaign.php?id=144>

### **Pathfinder's undead - the Nightmare Continues?**

You'll find fairly few defenders of Pathfinder, beyond direct beneficiaries and £850 a day consultants like Dr. Nevin, who designed and benefitted from the programme. Here

Indeed, it is hard to think of a domestic policy that unites a broader range of opponents.

From Toxteth's black-community leaders to cross-bench Peers, Big Issue and Guardian journalists to the Telegraph, Mail and Express, Labour ministers to Tory MPs, RIBA's architectural modernists to the Prince of Wales, residents, radical students, establishment Professors, housing charities, heritage experts, the National Audit Office - thousands have in some way blasted the scheme as an assault on good sense and accepted policy principles.

Yet Pathfinder refuses to die. Although the coalition scrapped demolition targets, bulldozers continue to roll, and new 'transition' funding is being negotiated by civil servants to bail-out Pathfinder's massive liabilities.

After making supportive noises on refurbishment and residents' rights, the Conservative Secretary of State risks turning 'Pontius Pickles', refusing to use his powers to force councils to sell off homes acquired under duress. Despite David Cameron's visit in 2007, when he and his Shadow Cabinet promised to help residents fighting demolition, in power his Ministers seem to have washed their hands of Toxteth's famous Welsh Streets.

[Incidentally, Liverpool's planning committee meet today (19th April 2011) to condemn some 400 homes there, including the birthplace of Ringo Starr -

truly a scandal in a historic neighbourhood with better than average housing conditions before Pathfinder, and Madryn Street residents 33 to 1 against clearance in 2005.]

Most disturbingly perhaps, the new Localism Bill perpetuates massive expansions of CPO powers set in place under New Labour's 2008 Housing and Regeneration Act. This is a complex area but in basic terms, authorities previously had to prove land and property was 'derelict and underused' when making a case for CPO, unless some major development scheme was of over-riding public interest. This threshold protected owner occupiers and businesses from being pushed out by corrupt or arbitrary deals - because a normally occupied house or premises is not of course 'derelict or underused'.

In 2008 the Homes and Communities Agency (HCA) obtained rights to take homes and property compulsorily simply if, in its opinion, they and their surroundings needed 'regeneration'. Checks and balances are vanishingly thin. In the Localism Act, such Orwellian powers are to be extended to the new Big City Mayors, which even Boris Johnson's advisor Sir Simon Milton has warned could empower a 'rogue mayor' to a sinister degree - a land-grabber's charter in the wrong hands.

### **A suggested way-forward.**

Pathfinder's destructive demise has left many neighbourhoods in a messy limbo. Their remaining residents must not be deprived of funds just because the last scheme failed so badly - but any new approach cannot in all conscience reward the same old agents of failure.

### **We recommend:**

- New funding should be targeted mainly at repair and refurbishment, and decisions placed in the control of individual occupants and owners, as were the successful area-based grant schemes 20 - 30 years ago.
- Mega-Social-Landlords driven by development ambitions must be brought under tight democratic control to make them better neighbours - 70% of their income is publicly funded grant and housing benefit. They must be subject to Freedom of Information Act legislation, proper scrutiny and limits on their monopoly ownership of entire communities. If necessary, they should be broken back down into smaller tenant co-ops and housing associations, as was their original intent. The HCA should not be both funder and auditor.
- Area-based retro-fit to high environmental standards will help renew market confidence and generate economic opportunity in deprived areas much more effectively than expensive HMR quangos, as SAVE's 'After Pathfinder' report has shown:  
<http://www.savebritainsheritage.org/news/campaign.php?id=144>

- The constitutional implications of Compulsory Purchase Order powers over private home owners need to be carefully reviewed by Parliament - at present, 95% of orders are granted, with new 'Localism' and Big City Mayoral powers extending their reach yet further. CPO of homes should be a last resort, not a mainstream activity.
- A more respectful approach to deprived neighbourhoods that does not assume those with power necessarily know best - community regeneration should be about creative ways to revalue what is there, rather than aggressively seeking to remove it altogether. Sometimes traditional urban forms are popular simply because they work - as sophisticated modernisers are happy to acknowledge:

'...you pass perhaps twenty or more front doors coming to your own; with children playing in the roads, parents chatting on the pavement and sitting in doorways, and the old peering through windows...the 19th century solution seems more dynamic than later planning solutions for mass housing.'

*Sir James Stirling RIBA*

**Jonathan Brown lives in Liverpool's Pathfinder area**

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