

HMR

Performance

Review 2009

Partners in Action Oldham and Rochdale

March 2010



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Housing market renewal

- 1 The government's housing market renewal (HMR) programme has been in place for more than six years. It focuses on tackling the problem of declining demand for housing in parts of the Midlands and North of England. Currently, ten partnerships have formal HMR pathfinder status¹.
- 2 The partnerships are to ensure that they address all the essential needs of sustainable communities, especially good quality, customer focused public services and a pride in the community and cohesion within it.
- 3 The pathfinder areas cut across local authority boundaries with the expectation that partnerships involve all stakeholders in developing strategic plans for whole housing markets. Pathfinders now work closely with a range of public and private partners, with the constituent local authorities having a key role in the partnership.
- 4 Since the programme's start, the Audit Commission has been assessing the performance of the pathfinders. This is now undertaken on behalf of the Homes and Communities Agency (HCA), who took on operational responsibility for the programme on 1 December 2008.
- 5 Our work supports the pathfinders' development and provides HCA and its sponsoring body, the Department of Communities and Local Government (CLG) with an independent assessment of how effectively the national HMR programme is being delivered at a local level. This has involved scrutiny of pathfinders' strategies and investment programmes as well as regular performance reviews.

¹ Bridging Newcastle Gateshead (Newcastle and Gateshead)
Gateway (Hull and East Riding of Yorkshire)
Transform South Yorkshire (Sheffield, Barnsley, Rotherham and Doncaster)
Urban Living (Birmingham and Sandwell)
Renew North Staffordshire (Stoke on Trent, Newcastle under Lyme and Staffordshire Moorlands)
Manchester Salford (Manchester and Salford)
Newheartlands (Liverpool, Sefton and Wirral)
Oldham and Rochdale Partners in Action (Oldham and Rochdale)
Elevate East Lancashire (Blackburn with Darwen, Hyndburn, Burnley, Pendle and Rossendale)
Tees Valley Living (Middlesbrough, Hartlepool, Darlington, Redcar and Cleveland and Stockton-on-Tees)

Pathfinders performance review

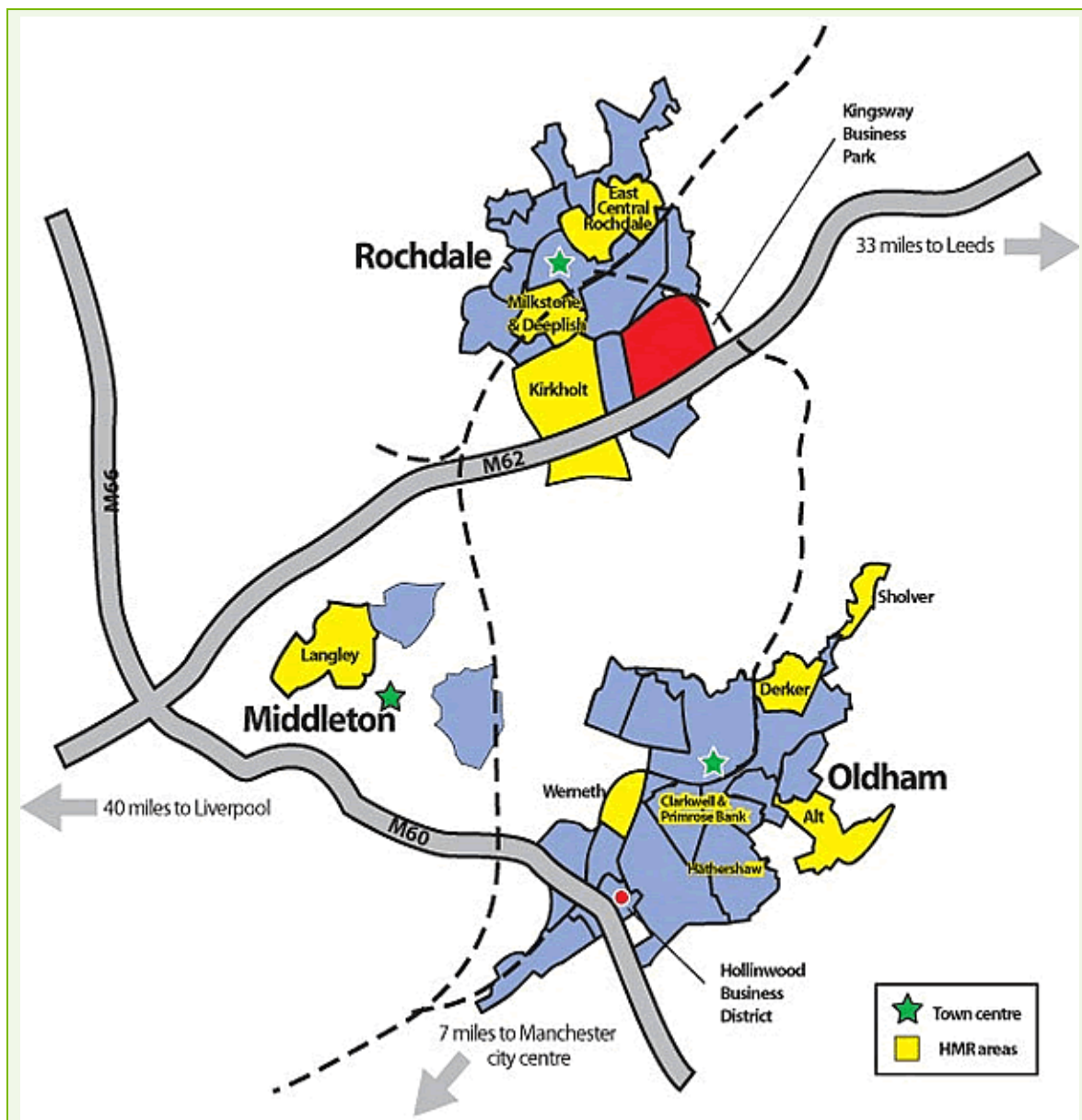
- 6 The Audit Commission uses a structured framework for completing its review of HMR pathfinder performance. This allows for a series of challenging, appropriate tests and questions to be consistently applied.
- 7 This performance review takes a comprehensive look at Partners in Action Oldham and Rochdale (PiA) performance over the last year, using the following themes:
- update and use of housing market intelligence;
 - place shaping;
 - affordable homes and sustainable communities;
 - community cohesion, consultation and support;
 - delivery and impact;
 - strategic and operational alignment; and
 - efficiency and effectiveness.
- 8 It also considers progress in addressing specific areas for improvement that have been identified to help the pathfinder improve its performance, and provide better outcomes for local people. These are outlined in this report, and more detail can be found in the following reports².
- the respect update report published June 2008;
 - the performance review published in October 2008;
 - the use of resources assessment published in January 2009; and
 - the HMR 2008/09 programme review published in May 2009.
- 9 This performance review is informed by our ongoing work with pathfinders and utilises the same framework and scoring methodology as previous reviews. It is therefore possible to consider the direction of travel that has made over the last year by comparing the current scores against previous ones. In 2008 PiA was assessed as performing strongly overall.

² Documents are available on the Audit Commission WebPages at:
<http://www.audit-commission.gov.uk/housing/marketrenewalpathfinders/pages/default.aspx>

The local context

- 10** The pathfinder covers parts of both Oldham and Rochdale, two of the ten constituent local authorities of the Association of Greater Manchester Authorities (AGMA), which in December 2009, was granted City Region status by the government. This devolves more powers and responsibilities from central government and ensures the region has much more of a say in its own destiny.
- 11** The two boroughs lie on the North-East edge of Manchester and are home to over 400,000 people. The pathfinder area covers an area of 4,946 hectares and has a population of 183,143 people living in 72,593 households. Around 25 per cent of its population are from the Black and Minority Ethnic (BME) community, higher than the overall proportions in Oldham (13.9 per cent) and Rochdale (11.4 per cent).
- 12** The characteristics of Oldham and Rochdale were shaped by their being mill towns which grew in the 19th Century because of the overall growth in the textile industry. The decline of this and other traditional industries in the late twentieth century left the areas with a legacy of Victorian infrastructure, an economy adjusting to the decline of their staple industries and a dominance of small terraced housing.
- 13** The two towns are close to the Pennine foothills but are both characterised by a predominance of older terraced housing often built directly on a pavement frontage. Both towns are typified by an outer ring of social rented estates with the more expensive houses lying further out of town or in smaller localised settings elsewhere in the borough. Both boroughs lag significantly behind the rest of the Manchester City Region for economic growth and the prosperity of the housing market. The pathfinder's intervention areas, shown in the map below, contain most of the boroughs' smaller and lower value housing - including nearly half of all rented homes and 70 per cent of council homes.
- 14** PiA was established in 2004 to tackle the long-standing problems which caused neighbourhoods across the two boroughs to become less popular places to live. The pathfinder has set itself six objectives:
 - create a step change in housing diversity and choice;
 - transform the quality of housing and deliver long-term sustainability;
 - promote and provide affordable housing choices;
 - support the economic development of Oldham and Rochdale, and the wider region;
 - promote community cohesion; and
 - provide an excellent quality of life.
- 15** In recognition of the scale of this challenge, the government has approved over £200 million HMR funding between 2004 and 2011 for a long-term programme to deliver this.

Figure 1 PiA Intervention Areas



Summary

- 16** Overall PiA is performing strongly. It has further improved its understanding of local market intelligence, and is using this to shape future investment programmes within the subregion. It has reviewed its plans since the market downturn. It has kept momentum in its schemes although progress has slowed down, and some environmental problems persist. It is developing further choices for affordable housing³ and ensures its interventions meet the needs and wishes of all sections of diverse communities. It can show positive impact from its programme so far, although it has not yet embedded value for money (VFM) in all its work.
- 17** The pathfinder is continuing to perform strongly in its approach to market intelligence. It has further improved its understanding of the local housing market and has provided regular market updates which it circulates widely to partners. PiA has also further developed its approach to evaluating the impact of its interventions, and has progressed actions recommended in previous research. Pathfinder research is also helping to shape future programmes and to influence developer views of the market.
- 18** PiA is continuing to perform strongly in its approach to place shaping. It has reviewed its schemes in existing intervention areas since the market slowdown to ensure its plans continue to underpin integrated investment. It keeps a focus on environmental quality through a programme of site improvements, especially for stalled sites, although problems of graffiti and litter persist in some areas. The pathfinder has learned from completed schemes and has progressed training across the two local authorities to promote good design in the subregion.
- 19** PiA is continuing to performing well in its approach to affordable homes and mixed communities. It is continuing to work with its partners to provide a suitable supply of affordable housing, and to help low-income households access homes of their choice. It is also developing options in its intervention areas which attract a wider mix of residents in neighbourhoods to support developing mixed communities. It is now working with partners across the wider region to develop a strategic approach to the private rented sector. Progress on carrying out the affordable housing business plan has been overtaken by the development of a wider regeneration investment plan.
- 20** The pathfinder continues to perform strongly in its approach to community cohesion, consultation and support. It has responded well to the recommendations from our previous reviews, and kept a clear and consistent focus on promoting equal opportunities, diversity and community cohesion. It ensures its interventions meet the needs and wishes of all sections of diverse communities, and the views of local people are sought and considered. It is evaluating the impact of its work on different communities, and is working well to try to improve cohesion in the local area.

³ Affordable homes - homes for rent or sale which households on lower income can access

- 21** The pathfinder is continuing to perform well in delivery and impact. It has managed to keep momentum in its schemes, exceeding targets agreed with HCA, although outputs in some areas are less than the previous year. It has reviewed its programme because of the economic slowdown and is starting to develop plans for long-term continued investment in the subregion and to develop its strategic response to the downturn. The pathfinder has improved its performance management. It can show positive impact from its programme so far, though it still has to establish a more complete set of indicators and targets to help it better record the wider impact that its programme is making.
- 22** PiA continues to perform strongly in its approach to strategic and operational alignment. It is ensuring that its programme helps achieve wider impact in its intervention areas. It has worked well with its partners to develop a wider subregional approach to the future pathfinder programme considering the impact of the economic recession. The pathfinder is supporting partners to tackle crime and address anti-social behaviour and is effectively ensuring that its initiatives secure holistic regeneration.
- 23** PiA continues to perform well in its approach to efficiency and effectiveness. It has responded well to issues raised in our previous reviews. It has strengthened the way it records added funding, and manages capital receipts⁴, although there are few outcomes so far. It has reviewed its costs in several areas, although it has made limited savings so far. It successfully attracts added funding into the pathfinder area, although finance directly levered into its schemes is reduced because of the market slowdown, and the pathfinder has not yet embedded VFM in all its activities.

⁴ Capital Receipts - Money the pathfinder or its partners receive by selling off land and buildings

Scoring

24 Pathfinder performance has been assessed as either:

- performing strongly;
- performing well;
- performing adequately; or
- not performing adequately.

25 We have assessed PiA as performing strongly overall.

26 We found PiA to be performing strongly because it has a range of strengths including:

- increased understanding of the local housing market;
- Improved approach to evaluation;
- strong focus on environmental quality;
- good work with partners to develop a city region approach to the private rented sector and to improve cohesion in the local area;
- maintained momentum in schemes; and
- strong subregional approach to the future pathfinder programme.

27 However there are some areas which require improvement. These include:

- addressing the continuing problems of graffiti and litter in some intervention areas;
- establishing a more complete set of indicators and targets to better record the impact that its programme is making; and
- further developing the approach to benchmarking and embedding vfm in all activities.

Recommendations

Recommendations	
R1	Ensure the continuing problems of graffiti and litter in some intervention areas are addressed so as to improve the environment and the lives of those who live there. To be completed within 6 months
R2	Work with local authority partners as part of the developing city region approach to the private rented sector to ensure that conditions in properties located close to development sites do not undermine PiA's work to make the area more attractive. To be completed within 12 months
R3	Further develop the approach to evaluation by setting baselines for all indicators. To be completed within 6 months
R4	Further develop the approach to benchmarking by comparing with the best, and consider widening the benchmarking group to include housing associations to gain greater comparative data. To be completed within 12 months
R5	Embed VFM in all work to drive greater efficiency and effectiveness in the use of HMR resources, and ensure that accurate estimations of complementary and match funding are completed in East Central Rochdale. To be completed within 12 months

Report

Update and use of housing market intelligence

- 28** This section examines the value of pathfinder interventions in creating sustainable housing markets, in the context of the changing drivers of housing supply and demand. We expect PiA by now to have moved well beyond the assembly and understanding of data, to focus on using data to inform the selection of actions. It is also expected to monitor effectively changes in the local and subregional housing markets, particularly because of the recession, and evaluate the impact of its investment.
- 29** In our 2008 assessment we found that PiA was performing strongly in this area. The pathfinder had developed a structured approach to its research programme which supported its programme and policy development. It had continued to develop its understanding of market dynamics by using various techniques to oversee market changes and to evaluate the impacts of its interventions. Changed policies and strategies had been implemented in several areas.
- 30** The pathfinder is continuing to perform strongly in its approach to market intelligence. It has further improved its understanding of the local housing markets and has provided regular market updates which it circulates widely to partners. PiA has also further developed its approach to evaluating the impact of its interventions, and has progressed actions recommended in previous research. Pathfinder research is also helping to shape future programmes and to influence developer views of the market.
- 31** The pathfinder has built on its existing good knowledge of the housing market. It has extended its housing market intelligence and evaluation framework (HMIEF)⁵ to include data on worklessness, court actions and repossessions as well as house prices and turnover. It provides regular market update reports and makes these available to all partners, including housing association and private developers. It provides summary feedback to residents through newsletters, and is looking in 2010 to make user friendly market reports more widely available to residents through its website, as recommended in our recent review of Market Response⁶.

⁵ The HMIEF is a series of papers spread over the year which bring together research and intelligence on the following four issues: Demand for housing; Neighbourhood change – a detailed look at how neighbourhoods have changed in relation to a number of housing market indicators; Rented markets; Owner occupation, including affordability

⁶ The report can be found at : <http://www.audit-commission.gov.uk/housing/marketrenewalpathfinders/marketchange/Pages/marketchange200910.aspx>

- 32** The pathfinder is developing well its approach to evaluation. It has produced a draft new project evaluation framework to help identify good practice and those projects which failed to meet planned targets or have had delivery problems. The framework will enable projects to be assessed in several ways, including: against delivery targets, pathfinder vision and objectives, impact, and capture notable practice. A guide was out for consultation in July 2009 but the outcomes from that are not known yet. Regular reports are provided to the board of the overall impact of the pathfinder programme. For example the April 2009 report showed progress against several housing market indicators including house sales, prices, rent values, empty homes and resident satisfaction. The pathfinder is further developing its evaluation framework by agreeing a changed set of local outcome indicators which will form part of an annual paper on local market changes due in March 2010. Some indicators have been established, but further work is needed to ensure all indicators have baseline information by which to judge outcomes.
- 33** The pathfinder carries out effective evaluation of its projects. An evaluation of the Nelson Place development in July 2009 was informed by officer, developer and resident contributions and considered several issues which had arisen during this development. Recommendations included improved project management arrangements which are being taken forward by a project board of senior officers in each authority, to review local delivery of the pathfinder programme.
- 34** The pathfinder has also evaluated the effectiveness of work in the private rented sector. The pathfinder project appraisal panel carried out an evaluation of funding of the service in both local authorities at the beginning of 2009. The outcome of this was a changed approach, with enforcement action targeted in HMR intervention areas, including around developments. In this way the pathfinder is using evaluation effectively to inform future programmes and interventions, and to encourage holistic regeneration.
- 35** PiA is learning from its research. Recent studies and customer surveys have shown that simple issues such as how a building is positioned and what insulation is used make the most difference in running costs, while some sustainability features such as wind turbines are not yet cost-effective. An important finding is that parking courts not maintained by local councils add significantly to service charges. Learning from its first phase interventions it has identified it is better to carry out redevelopment work in smaller phases. This is because asking large numbers of people to leave homes earmarked for demolition lessens the chance that those people will be rehoused in new homes locally. PiA is using this knowledge to change its approach to design and to development programmes for the future.
- 36** The pathfinder's market intelligence is helping to develop a more sophisticated understanding of the local housing market which is influencing thinking of what is marketable. Developers have recognised that features of good design help to sell houses and that locally there is a significant cash market for larger family homes. This is helping keep developer confidence in the overall objectives of the pathfinder.

Place shaping

- 37** Place shaping is about tackling housing market weakness in a holistic way by ensuring pathfinders establish a high-quality built environment which underpins and takes account of economic, environmental and social issues. The eventual goal is improving the quality of life for people now and in the future. Promotion of high-quality design and an increased focus on sustainable development is also expected.
- 38** In our 2008 assessment we found that PiA was performing strongly in this area. The pathfinder had developed detailed and integrated delivery plans for the existing intervention areas, and its plans for the new intervention areas were developing well. It was continuing its clear approach to place making by tackling housing market weakness in a holistic way and was keeping a strategic focus on environmental and design quality.
- 39** PiA is continuing to perform strongly in its approach to place shaping. It has reviewed its schemes in existing intervention areas since the market slowdown to ensure its plans continue to underpin integrated investment. The development of plans in new intervention areas has however slowed. It keeps a focus on environmental quality through a programme of site improvements, especially for stalled sites, although problems of graffiti and litter persist in some areas. The pathfinder has learned from completed schemes and has progressed training across the two local authorities to promote good design in the subregion.
- 40** The pathfinder has ensured that its plans are still relevant and continue to deliver on its wider vision of change across the subregion. It has put in place a programme of review of its plans for its early intervention areas. Delivery plans have changed to reflect the changed market conditions and the replacement of one of its developer partners in East Central Rochdale. Area business plans in Werneth and Derker have been revised to alter property types and sizes, and allow a more flexible approach to tenure mix. Developers in these areas are building to the same high standards across all tenures, which is increasing the opportunity of flexibility for outright sale, sale for market or affordable rent. This has helped keep momentum in its schemes and should ensure a positive legacy for pathfinder interventions. Progress on developing area business plans in new intervention areas has however slowed.
- 41** The pathfinder is ensuring a continued focus on environmental quality, although problems persist in some areas. It has developed a comprehensive programme to develop environmental plans for each neighbourhood. These will help continue a high-quality environment while new build has slowed because of the economic downturn. Plans have been developed for new landscaping, public art works, lighting and other improvements to public areas.
- 42** Areas visited as part of this review show a mixed outcome from this approach so far. At the Nile Street development in East Central Rochdale, the programme has included wildflower sowing, tree planting and erecting bollards to prevent unauthorised occupation. The trees and bollards are designed to be moved to other sites when the scheme gets built out. In the Werneth area of Oldham, some terraced houses are awaiting the last few existing occupiers to move out and have not yet been demolished and are unsightly. There are also continuing problems of graffiti and litter that need to be addressed if the area is to improve its image and the lives of those who live there.

- 43** The pathfinder is working well with its partners to help improve environmental standards in other parts of its intervention areas. Rochdale Council has carried out an environmental audit of the Inner Rochdale area. This has targeted work to address houses in shabby condition, including using land and planning powers to force owners to upgrade the appearance of their properties. It also identified empty homes for the Council's private sector team to bring back into use through advice and support to owners as well as through enforcement action where necessary. The pathfinder is also providing equity loans in its intervention areas to help owners to bring properties up to decent home standards⁷. This is helping to deliver holistic improvements within intervention areas.
- 44** PiA is improving design through learning. The Commission for the Built Environment⁸ (CABE) has worked with residents in the last year to identify the best features of new homes built in the pathfinder area. CABE has focused on environmental features, while residents' concerns are more about practical issues such as car parking and shared spaces. The pathfinder is using this learning to make changes to car parking arrangements and ensuring that where possible parking places are formally adopted by councils to avoid the imposition of service charges.
- 45** The pathfinder has continued to promote high-quality design in the subregion. It has run urban design guidance and development skills training programme in both authorities, including attendance by eight staff at the CABE Summer School in 2009. This is helping to embed high-quality design at an early stage in developments across the subregion.

Affordable homes and mixed communities

- 46** Pathfinders must ensure that interventions cater for the broad range of needs found in each community, encouraging existing residents to stay while seeking to attract a wider mix of residents to support developing mixed communities. It is particularly important given the challenging socio economic characteristics of many pathfinder neighbourhoods, and the need to create conditions which promote long-term sustainability.
- 47** In our 2008 assessment we assessed PiA as performing well in its approach in this area. It had successfully delivered on its affordable housing target and was developing its approach with its partners to further increase the supply of affordable housing. It was also working well with its partners to ensure a choice of tenures was available to all sections of the community, although not all plans had been fully developed or carried out. We recommended the pathfinder develop with partners the approach to the private rented sector and carry out the affordable housing business plan.

⁷ In order to be decent a home should be warm, weatherproof and have reasonably modern facilities

⁸ Commission for Architecture and the Built Environment. The government's advisor on architecture, urban design and public space.

- 48** PiA is continuing to performing well in its approach to affordable homes and mixed communities. It is continuing to work with its partners to provide a suitable supply of affordable housing, and to help low-income households, although formal policies have not yet been adopted. It is also developing options in its intervention areas which attract a wider mix of residents in neighbourhoods to support developing mixed communities. It has carried out further work with its partners in the private rented sector, and is now working across the wider region to develop a strategic approach. Progress on carrying out the affordable housing business plan has however been put back and delivery of the ambitious targets has been delayed. The plan has now been overtaken by the development of a wider regeneration investment plan, which will include the delivery of affordable housing.
- 49** The pathfinder keeps a focus on developing mixed tenure schemes, although responding to market conditions, a smaller proportion of new build properties are for outright sale. It is working with its developer partners to give people options for accessing new homes, through a mixture of sales, or market and social renting. It has reached agreement in several schemes for market rents through housing associations with the option to revert to sales when the tenancy ends. This provides developers with confidence to build for sale to a housing association while keeping the overall objective for increased home ownership.
- 50** The pathfinder is continuing with its partners to develop approaches to ensure a suitable supply of low cost affordable housing. Both local authorities have used the affordable housing business plan produced in 2007 to identify borough-wide approaches to deliver new affordable housing across the area, not just the HMR area. Key elements from the affordable housing business have been incorporated into a supplementary planning document in Rochdale (adopted March 2008), and the 2009 Affordable Housing Strategy and Affordable Housing Action Plan in Oldham. Both local authorities are now working to produce Local Development Framework Core Strategies, including affordable housing policies, by March 2010. The affordable housing business plan has now been superseded by the development of an investment prospectus for the subregion with the North-West Development Agency (NWDA)⁹. This further focuses the HMR programme on links to wider regeneration initiatives within the Manchester City Region context and includes plans for the delivery of affordable housing. A draft local investment plan is being discussed with the HCA, aiming to secure commitment from the regeneration funding partners to 2018.

⁹ NWDA is a Regional Development Agency, a Government-funded public body set up by the Government in 1999 to maximise the region's competitiveness, delivering effective responses to both short-term challenges and longer-term opportunities.

- 51** The pathfinder and the two local authorities carried out a joint review of arrangements with housing associations in 2008/9 to identify specific actions that partners could take to provide joint services in neighbourhoods. Partnership plans are now being developed with each housing association designed to ensure joint working to meet common priorities, deliver improved performance, and adopt a consistent approach to service provision and share good practice. The plans are now being signed off. Priorities identified include: working towards putting 100 per cent of properties through choice based lettings¹⁰, and working together to respond to the current economic situation and make best use of stock. The plans have been integrated into the HMR performance management process and progress against them will be reviewed six-monthly. This is helping to ensure a suitable balance of interventions which promote long-term sustainability in pathfinder areas.
- 52** Within the HMR area, the partnership is helping ensure the private rented sector provides a viable alternative affordable housing choice. HMR funds are being used to target action in pathfinder intervention areas as part of a wider programme to drive up standards within the private rented sector. Last year over 100 landlords were accredited in the subregion. Grants have been made available to help improve standards. In Oldham, a small grant of £500 has so far produced an average of £3000 in complementary funding by the landlord. In the pathfinder area there are a high number of privately rented properties often found close to development sites. It is important the conditions of some of these homes does not undermine PiA's work to make the area more attractive
- 53** Both boroughs are also part of a plan to develop a regional property fund to enable private investment into new build for market rent. This will enable private renting to provide an accessible housing choice for low-income families. Partners are also contributing to work being carried out by the Greater Manchester private sector housing group. This aims to develop a flexible pilot programme to allow better engagement with private landlords and improve the quality of the private rental sector.
- 54** The pathfinder is working with its partners to help low-income households. It is developing small works loans in Rochdale, although the likely take up and purpose of these is not clear so far. Oldham Council completed the first mortgage rescue scheme¹¹ in the North of England, and is due to complete the first equity share mortgage rescue in the country. There are 19 mortgage rescue cases being considered in Oldham and a further 33 in Rochdale.

¹⁰ Choice-Based Lettings (CBL) replaces the traditional way of allocating housing under which housing officers seek to match applicants who have priority on the waiting list to available vacancies. CBL allows applicants for social housing (and existing tenants seeking a move) to apply for available vacancies which are advertised widely (eg in the local newspaper or on a website).

¹¹ The Mortgage Rescue scheme is a government scheme, run by the local housing authority aimed at people with serious difficulties making mortgage repayments and are in danger of becoming homeless if repossessed.

55 The pathfinder is working with its partners to help deliver options in its intervention areas which attract a wider mix of residents in neighbourhoods to support developing mixed communities. Rochdale Council is piloting a local lettings policy for the AGMA authorities to enable the social rented properties to be earmarked to working households to prevent concentrating benefit-dependent families in new build social rented schemes. This is being trialled to see if it provides a practical way of preventing estates from continuing to be occupied by mainly low-income families.

Community cohesion, consultation and support

- 56** Pathfinders must ensure that plans and interventions are developed in consultation with local communities, that they are effectively supported through change and work is actively managed to improve community cohesion, promoting trust, building community identity and developing relationships between citizens within a locality.
- 57** In our 2008 assessment we found that PiA was performing strongly in this area. The pathfinder had further developed its strong role in community engagement and community cohesion. It had set up a group to examine its approach to meeting the requirements of the Race Relations Act (amendment 2001). We recommended that it set up a timetable for reporting to the board on the review of policies and procedures and fix baselines by which the pathfinder can measure the success of community cohesion objectives. In our 2008 Respect Update report we also recommended that wider issues of community cohesion be more effectively addressed, to manage the process of change and reducing tension between new and existing communities.
- 58** The pathfinder continues to perform strongly in its approach to community cohesion, consultation and support. It has responded well to the recommendations from our previous reviews, and kept a clear and consistent focus on promoting equal opportunities, diversity and community cohesion. It ensures its interventions meet the needs and wishes of all sections of diverse communities, and the views of local people are sought and considered. It is evaluating the impact of its work on different communities, and is working well to try to improve cohesion in the local area.
- 59** PiA has responded well to our recommendations from our previous reviews, and progress continues to be made. It has produced an equalities action plan which, following large consultation, was agreed in September 2009. Actions are now in place to review the guidance provided to staff on consultation and engagement; to review appraisal and evaluation guidance; and, to further develop equalities in neighbourhood engagement plans. Progress is to be reviewed six-monthly.
- 60** The pathfinder has identified a set of community cohesion indicators to support assessing the pathfinder's impact. These include: the percentage of people in the pathfinder who feel that they belong in their neighbourhood; the percentage of people in the pathfinder who believe that in their neighbourhood people treat one another with respect and dignity; and, the percentage of people in the new build development who believe that people from different backgrounds can get on well together in their development. The baseline has been identified for two of these indicators, although it remains to be fixed for the majority.

- 61** PiA is working well to ensure its interventions meet the needs and wishes of all sections of diverse communities. It has developed a series of projects aimed at wider issues of community cohesion associated with the process of change, looking to help reduce tension between new and existing communities. With the help of Innovation and Good Practice (IGP) funding granted by the Housing Corporation (now managed by the Tenants Services Authority), PiA has developed eight projects to address issues of community cohesion. These include dance and sport projects, conflict resolution and help for people who wish to move to 'non-traditional' areas. An IGP steering group within the pathfinder has also commissioned an evaluation review to look at the cohesion intervention projects and to identify what works, where. The evaluation will be completed by February 2010. This will help the pathfinder to deal effectively with any particular challenges especially if there are any underlying tensions between communities.
- 62** The pathfinder is ensuring the views of local people are effectively sought and considered at the right time. The choice of intervention areas for its community cohesion projects was well thought out. It used information from local communities and from borough-wide surveys commissioned to identify which of the 31 neighbourhoods was most at risk of breakdown. It also worked with the local communities in these areas to define the particular causes of tension and to plan the nature and scope of the projects. Local Councillors we spoke to said there was an improvement in community cohesion because of the work of the different organisations in the pathfinder area.

Delivery and Impact

- 63** Pathfinders need to keep a clear focus on outputs and outcomes, and ensure the processes needed to support effective delivery are in place, including effective programme management and proper governance arrangements. The impact of its interventions and the progress against baseline objectives should also be explored.
- 64** In 2008 we assessed PIA as performing well in this area. Noticeable progress had been made in the first wave intervention areas, and plans were progressing well for new areas. The impact of its interventions was high although concerns were emerging around the future sustainability of the progress in pathfinder schemes. We recommended the pathfinder set up contingency plans to ensure momentum was not lost in increasing the pathfinders' impact on the housing market in the area.
- 65** The pathfinder is continuing to perform well in delivery and impact. It has managed to keep momentum in its schemes, exceeding its targets, although overall outputs are down compared to the previous year. It has reviewed its programme because of the economic slowdown and is starting to develop plans for long-term continued investment in the subregion although its strategic response to the downturn has yet to be defined. The development of area business plans for new intervention areas has also slowed. The pathfinder has improved its performance management. It can show positive impact from its programme so far, although it still has to set up a more complete set of indicators and targets to help it better record the wider impact that its programme is making.

Report

- 66** PiA has carried out a review of its current programme, and has started to identify potential delivery options which take account of the implications of the longer term recession on its future programme. It is working with the HCA and the NWDA to develop an investment plan to 2018, although it recognises that it is unlikely to attract large private finance for at least the next two years, given the current market conditions.
- 67** The pathfinder is developing its strategic response to the downturn within its continuous improvement plan for 2009/10. It has decided in principle to focus investment beyond 2011 on those sites where development is most likely should the expected decrease in funding occur. The likelihood is based on the degree of enthusiasm of developers, which varies from site to site and the potential added delay caused by appeals against Compulsory Purchase Orders¹². Other sites are expected to remain undeveloped for a long time because even after some remediation they have a negative value in the current market and so cannot be sold. Meanwhile the pathfinder has changed its immediate programme with less emphasis on new build and more on external improvements and site preparation. Despite this, it continues to deliver new build development in difficult economic circumstances with two schemes due to start on site in 2009/10 which will deliver 94 units.
- 68** The pathfinder received a grant of £31.96 million HMR funding in 2008/09, less than the previous year's figure of £37.4 million. The largest proportion of this (£22 million) was spent on residential and commercial acquisitions, with £3 million spent on external improvements.
- 69** £4.27 million of other public finance was directly levered into HMR projects and activities during 2008/09. This means that for every £1 of HMR funding, 13 pence of other public sector funding was spent on HMR projects. This was similar to the 12 pence achieved during the previous year.
- 70** £3.23 million private sector finance was directly levered into HMR projects and activities during 2008/09. This means that for every £1 of HMR funding, 10 pence of private funding was spent on HMR projects. This is a decrease on the 21 pence achieved during 2007/08.
- 71** PiA has delivered 273 new homes in 2008/09, significantly more than the target of 118, and more than the 165 reported for 2007/08. It has acquired 124 properties, exceeding its target of 83 though less than the 174 reported for the previous year. It demolished 179 properties in 2008/09, exceeding its target of 174, and more than the 148 reported for 2007/08.
- 72** The pathfinder has also carried out external improvements to 544 properties, exceeding the target of 477, and more than the 454 reported for 2007/08.

¹² A compulsory purchase order (CPO) is a legal action which allows local authorities to obtain land or property without the consent of the owner in order to enable redevelopment. The authority must demonstrate that the taking of the land is necessary and there is a 'compelling case in the public interest'. Owners or occupiers can challenge this, and their objection will be heard by an independent Inspector.

- 73** PiA has improved its programme management arrangements through developing a series of indicators to help it to oversee its progress against its original objectives. These indicators measure progress in a better quality and mix of homes, community cohesion and employment opportunities. These consider both outputs (such as numbers of new jobs) and outcomes (increases in average household incomes and falls in worklessness). The pathfinder has fixed baseline figures and targets for some, though not all indicators. Most targets are modest and realistic, though a more complete set of indicators and targets will help the pathfinder better oversee the wider impact that its programme is making.
- 74** Current data shows the pathfinder is making a positive impact in its intervention areas. The annual neighbourhood report¹³ shows that in the neighbourhoods where intervention has been greatest, house prices relative to the rest of the area have risen modestly and the number of empty homes (excluding those held for demolition) has fallen. The number of people leaving has in most but not all intervention areas reduced. Given that work is still in progress on the first phase this shows the impact is starting to be felt.
- 75** In Oldham, Werneth is a large area of terraced housing and old industrial buildings in varying standards of repair. PiA is making a difference by demolishing the poorest quality housing and preparing it for redevelopment. This redevelopment is now taking place with one phase of Suthers Court completed and a second phase under way. Elsewhere facelifting and other development is taking place, with work also due to start at Spencer Street, where a housing association is the lead developer. The new housing is modern in appearance with interesting features such as angled corners. This work has the potential to transform a large swathe of previously unpopular housing and with the new metro extension, to attract new people to the area. However there are still problems of graffiti and litter that need to be addressed to improve the lives of those who live there and the attractiveness of the area for newcomers.

Strategic and operational alignment

- 76** Pathfinders must work within the context of regional and subregional economic, housing and planning strategies. It should seek to align with and influence other key policies, programmes and partnerships to secure close collaboration and deliver holistic regeneration in agreed priority neighbourhoods.
- 77** In our 2008 assessment we found that PiA was performing strongly in this area. The pathfinder had continued to be influential in the development of a joint economic development strategy and had ensured that its developments were linked to wider regeneration schemes and to health and education investment. The pathfinder had also worked closely with its partners to develop an affordable housing plan and was developing a joint prospectus for investment with the Housing Corporation and English Partnerships, forerunners of the HCA. It had also been closely involved in developing other regional and subregional plans.

¹³ The pathfinder produces an annual neighbourhood report which uses a small number of indicators (house prices, long term empties, social lettings, benefit claimants, ASB and crime) to show how the characteristics of each neighbourhood and the area as a whole has changed since 2004.

- 78** PiA continues to perform strongly in its approach to strategic and operational alignment. It is ensuring that its programme helps achieve wider impact in its intervention areas. It has worked well with its partners to develop a wider subregional approach to the future pathfinder programme considering the impact of the economic recession in support of the new City Region. The pathfinder is progressing its approach to the Respect agenda, and is effectively ensuring that its initiatives secure holistic regeneration.
- 79** The pathfinder ensures that its programme helps achieve wider impact in its intervention areas. Neighbourhood engagement plans have been implemented in all intervention areas, which support other projects to help local people through change. For example in Derker the local delivery team identify tailored individual support to residents to address issues of debt and income maximisation. In Kirkholt, the local team have recently begun an innovative partnership with the Jericho Foundation¹⁴. This has provided hard to reach young men with construction skills as they renovate empty homes on the estate. Some of these individuals have moved into temporary supported tenancies in the properties as they develop independent living skills. In this way the pathfinder is helping to ensure wider holistic benefits from its activities.
- 80** The pathfinder is also working with J21¹⁵ to involve local companies in their supply chains, and increase job opportunities for local people. In 2008/09 the initiative met all its HMR funded targets which were 120 residents trained, and 80 into construction related jobs; of whom 10 per cent were from under-represented groups. The scheme is managing to keep to its targets despite the economic downturn.
- 81** The pathfinder has worked well with its partners to develop a wider subregional approach to the future pathfinder programme considering the impact of the recession. The Oldham and Rochdale economic and skills alliance¹⁶ has recently presented an investment prospectus for the HMR area to the HCA and NWDA. This outlines the links of the HMR programme to wider regeneration initiatives within the Greater Manchester context. A draft local investment plan is being discussed with the HCA.
- 82** PiA is an active partner in the development of Greater Manchester housing strategies. This includes working closely with the Commission for Planning and Housing¹⁷ to support the new Greater Manchester City Region deliver it plans to improve skills and create jobs, build more affordable homes and tackle climate change. PiA is developing a long-term vision of how its transformation of Oldham and Rochdale fits into the City Region plans and is contributing to an investment plan expected to be in place by March 2010. This will help ensure that key policies are aligned and support and reinforce HMR aims.

¹⁴ The Jericho Foundation is a registered charity helping the most disadvantaged to overcome social problems and get back into work.

¹⁵ J21 is a partnership initiative, established by Oldham & Rochdale Partners in Action, Oldham & Rochdale Councils, Hopwood Hall College and The Oldham College. It helps local businesses and people secure construction related employment and contracts on major developments that will be delivered across Oldham & Rochdale over the next 10-15 years.

¹⁶ The Alliance developed a 10 year strategy in 2007 in response to the challenges set by the underlying weakness in the economy of the area and the need long term and substantial investment. This is also aimed at transforming the skills of the workforce in order for the area to take advantage of new investment opportunities.

¹⁷ The Planning and Housing Commission of the Association of Greater Manchester Authorities (AGMA) was established in May 2009 to work with partners to develop and implement an effective spatial planning framework and housing strategy for Greater Manchester.

- 83** PiA is effectively ensuring that its initiatives secure holistic regeneration. Its approach to placemaking is focused on regenerating the whole place, including developing schools, community facilities, and commercial and health buildings. The recently announced extension of the metrolink to Oldham and Rochdale will further help to increase employment opportunities for the area. The link, due to open in 2011, will run every six minutes and take 26 minutes to reach central Manchester. A first ever Sixth Form College is opening in September 2010 in Rochdale, and 162 graduates a year now go through University Campus Oldham. The courses are aligned to the expected increased need for skills in Information Communication Technology, advanced manufacturing, biotechnology and media.
- 84** The pathfinder is progressing its approach to the Respect agenda, and has responded to the recommendation from our Respect Update report 2008. The pathfinder has kept a continuing dialogue with the Community Safety Partnerships¹⁸ to identify and target hot spot areas and work with local delivery teams to address issues of ASB and crime. Indicators to measure levels of crime and ASB have been developed and incorporated into the Pathfinder's HMEIF, presented to the Board at its April 2009 meeting. Further detailed analysis is being carried out at a neighbourhood level and the findings will be incorporated into the annual Neighbourhood Change Report in December 2009. This work will also be circulated across partner agencies by means of dissemination sessions and findings are to be incorporated into action plans within each Local Authority.

Efficiency and effectiveness

- 85** To underpin successful delivery, pathfinders need to achieve and show value for money at both strategic and operational levels. This includes its overall approach to efficiency and effectiveness as well as its ability to attract and secure other investment, especially from the private sector, and the impact of this investment in the short and longer term.
- 86** In our 2008 performance review we judged that PiA was performing well in this area. The pathfinder had improved its delivery arrangements, had delivered efficiency savings, and was working in collaboration with its partners to ensure investment secures maximum added benefits, although some key proposals were so far in draft form, and the expected additional private investment was unclear. We recommended the pathfinder work with business partners and others to ensure delivery plans identify how complementary private investment is defined and monitored
- 87** In our 2009 Use of Resources review we found PiA to be performing strongly. It had an established market intelligence programme to inform strategic decisions and its strategy was well aligned with national and regional agendas. Robust appraisal processes were in place and the delivery programme was regularly reviewed. Risks were managed effectively and sound financial controls were in place with proactive reviews of board arrangements and staffing and skills requirements. However, it needed to expand its approach to benchmarking costs, and ensure that information on assets was fully recorded.

¹⁸ An alliance of organisations which generate strategies and policies, implement actions and interventions concerning crime and disorder within their local area.

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- 88** PiA is now performing well in its approach to efficiency and effectiveness. It has responded well to issues raised in our previous reviews. It has strengthened the way it records match funding, and manages capital receipts, and has reviewed its costs in several areas. However, it has made few savings so far. It successfully attracts added complementary funding into the pathfinder area, although finance directly levered into its schemes is reduced because of the market slowdown. Overall outputs are in line with the previous year given a reduced level of funding but the pathfinder does not yet embed VFM in all its activities.
- 89** The pathfinder has responded well to issues raised in our previous reports. It has issued a practice note to provide guidance to local authority teams overseeing reporting of public and private match funding. It has also worked with local authority and development partners to ensure the changed area business plans for Derker and Werneth incorporate accurate estimations of complementary and match funding. However this has not yet been completed in East Central Rochdale where the developer partner has recently been replaced.
- 90** The pathfinder has developed a new asset management strategy which focuses on putting controls in place to account for any capital receipts and to ensure that it reinvests any benefits locally. A one-year action plan and a six-monthly asset review cycle backs up the strategy. This ensures that all the assets held by the local authorities match, that they continue to contribute to strategic objectives and are valued accurately. However, few capital receipts have been raised because of the market conditions.
- 91** PiA has reviewed costs in several areas as part of a benchmarking exercise to assess where to make efficiencies, although there are few savings identified so far. It reviewed legal costs at the end of 2008, having identified these as high in comparison with other pathfinders. The pathfinder identified the seeming high costs were because of wrong coding within its local authority partners and that in reality costs were in line with other pathfinders and there was no scope to realise any further efficiencies. It also compared the cost of securing empty homes with other pathfinders. It found that when comparing like for like, costs were similar, although recognised the need to further reduce these costs. It is working with its partner local authorities to identify savings by, for example speedier demolitions and lower security where risks of vandalism are lower. The pathfinder is trying these approaches this year and it will assess any savings for the next financial year. The pathfinder is also looking to benchmark with other pathfinders the external improvement programmes and demolition costs by the end of 2008. However it could usefully consider widening the benchmarking group to include for example housing associations to gain greater comparative data.

- 92** PiA has successfully attracted complementary investment into the HMR area, although added funding directly levered into its schemes is affected by the slow down in new build. Added public finance directly levered into HMR projects during 2008/09 was the same as the year before, although directly levered private finance has reduced. However, the pathfinder area continues to attract significant amounts of complementary investment from both the public and private sectors. This includes BSF¹⁹ investment in Rochdale (the St Anne's Academy); a LIFT²⁰ centre in East Central Rochdale and the Tesco development in Middleton. In 2008/09 the pathfinder area attracted £50.55 million complementary public funding, and £34.68 million private funding. This is helping to ensure positive and lasting change in the pathfinder area.
- 93** The pathfinder has yet to embed VFM in all its work. The pilot community cohesion pilots had no preliminary options appraisal. PiA did not research the many forms of intervention that exist to develop a long or shortlist, or the alternative ways to deliver the projects. This was largely because of the tight timescales set by the funding body. Only 35 per cent of the budget was spent on delivering projects, and some costs, such as £25,000 to involve 35 people in an intergenerational understanding project (including training local staff) appears high. Initial plans to develop code level 6²¹ homes in St Mary's have not as yet had any VFM consideration. The cost could, for example, be usefully compared with that for a programme of added warmth and comfort for existing homes. By embedding VFM in all its work, the pathfinder will ensure greater efficiency and effectiveness in the use of HMR resources.

¹⁹ The Building Schools for the Future (BSF) was launched in 2004, and aims to rebuild or renew every secondary school in England that needs it.

²⁰ LIFT (Local Investment Finance Trust) is an NHS vehicle for improving frontline primary and community care facilities, and investing in new premises in new locations.

²¹ The government's Code for Sustainable Homes provides a comprehensive measure of the sustainability of new homes, ensuring that sustainable homes deliver real improvements in key areas such as carbon dioxide emissions and water use.

Appendix 1

Summary of review activity undertaken

- 1 During the course of this assessment, the Audit Commission assessment team undertook a range of activities, including:
 - visits to areas in which the pathfinder is working to see what changes are visible to residents of Oldham and Rochdale;
 - meetings with local residents;
 - interviews with managers and board members of the pathfinder;
 - focus groups of local authorities and other stakeholders;
 - a review of documents to be found on the pathfinder website; and
 - a review of the current set of plans, performance reports and other documents provided by PiA.

Positive practice identified

'The Commission will identify and promote good practice. Every inspection will look for examples of good practice and innovation, and for creative ways to overcome barriers and resistance to change or make better use of resources'. (Seeing is Believing)

- 2 Managing long term performance.
- 3 PiA produces an annual neighbourhood report which uses a small number of indicators (house prices, long term empties, social lettings, benefit claimants, ASB and crime) to show how the characteristics of each neighbourhood and the area as a whole has changed since 2004. This is supplemented by a commentary on the figures. This approach is useful in describing the impact of the overall investment in Oldham and Rochdale.

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