

Scrutiny report

October 2003



Market renewal

Manchester Salford 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.

Audit Commission

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

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

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

Audit Commission

1 Vincent Square London SW1P 2PN
Telephone 020 7828 1212 Fax 020 7976 6187
www.audit-commission.gov.uk

Contents

Market Renewal Pathfinders	2
Summary	5
Recommendations	8
Introduction to the Pathfinder	10
Analysis of the diagnosis of the current position	11
Impact of Areas Adjacent to the Pathfinder	18
Stakeholder involvement	19
Scrutinising the drivers that have led to the current position	21
What solutions are being proposed and will they be effective?	24
Resources	34
Community	41
Governance	44
Outcomes	46
Summary of theme strengths/areas for further development	49
Appendix 1 map of North West showing Manchester Salford	52
Appendix 2 list of documents included in scrutiny process	53

Summary

- 1 Manchester Salford is the first Market Renewal Pathfinder to submit its Prospectus. The Pathfinder had undertaken most of its strategy development before the Audit Commission had been appointed to be a critical friend to support Pathfinders in this work. However, it was possible to provide some limited sounding board support as the Prospectus went through its various stages.
- 2 The Audit Commission, in conjunction with the Pathfinders, has produced a scrutiny framework which was available to the Manchester Salford Pathfinder in March 2003. Therefore, some of their preparation has been in the knowledge of the framework against which the Prospectus would be judged.
- 3 The Manchester Salford Pathfinder Prospectus and this scrutiny report are both part of a learning process which will benefit the other Pathfinders over the coming months as further submissions are prepared.
- 4 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 as criticisms of the Pathfinder but as areas of opportunity to improve the base position, better understand the drivers of market change and their impact on solutions and how outcomes targets could be used to track change. The intention is to ensure that there are clear understandings of what the current problems are and how they are to be addressed, leading to outcome targets which facilitate programme monitoring.
- 5 The key question for scrutiny and assessment of the Prospectus is will the proposals set out by the Manchester Salford Pathfinder lead to the Pathfinder areas becoming a series of sustainable communities over the next 10 to 15 years?
- 6 There is no doubt that the current problems are complex and that there is no one solution which will be capable of turning around an area which has deteriorated over such a long period of time. Intervention should be aimed at preventing further decline and reversing the trends which are currently being exhibited. It should deliver a vision of a balanced housing market integral to sustainable neighbourhoods which will restore market confidence. The proposals put forward by the Manchester Salford Pathfinder are extensive and cover a very wide range of housing projects. They are backed up by substantial proposals in education, health and transport as well as new commercial developments.
- 7 The Manchester Salford Pathfinder is ambitious and the two local authorities have an enviable track record in delivering change. The transformations of Hulme and Salford Quays, together with emerging changes in New East Manchester are significant regeneration initiatives. The delivery of the Commonwealth Games and The Lowry are examples of high profile, major scale project based work delivered on time and to budget.

- 8 It would be foolish to say that an investment in excess of £1.274 billion will not deliver change but will it be housing market change with the prospect of the Pathfinder area becoming an area of choice? Making a judgement as complex as this one needs to take account 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.
- 9 The Prospectus begins by analysing the nature of the problem of housing market failure in parts of Manchester and Salford. The Pathfinder presents a comprehensive information base, with detailed information from reliable and appropriate sources. Lessons are established from previous large scale regeneration initiatives to inform the development of the market renewal programme. The potentially high demand for homes within the sub-region of Greater Manchester is demonstrated, although the nature of the potential demand for new housing in the parts of the Pathfinder area away from the edge of the fashionable city centre housing market is less clear.
- 10 The Pathfinder demonstrates an understanding of the broad population movements from inner areas of Manchester and Salford over time, and provides predictions for future growth in household numbers. However, analysis of migration patterns is limited to migration between regions rather than being specific to Manchester and Salford and the Pathfinder area, and the potential impact of the planning policies of adjacent boroughs is not considered.
- 11 The Pathfinder has produced proposals that are well integrated into existing strategies, including Community Plans, Neighbourhood Renewal Strategies, and Strategic Regeneration Frameworks for parts of the Pathfinder area. Delivery agents have been well engaged, with formal frameworks being developed. There have been discussions with a wide range of stakeholders within this wider regeneration context, although it is less clear how much discussion has taken place on the particular objectives of market renewal.
- 12 A large number of drivers have been identified as being influential in causing market failure at the Pathfinder level, including factors to do with the housing stock, the attractiveness of local environments, crime levels, and the quality of local public services such as schools. There is the potential for further analysis to clarify which of the many influencing factors are the most important. This is significant in demonstrating that the balance of proposed interventions addresses the range of market drivers in an appropriate way.
- 13 The interventions presented demonstrate comprehensive and strategic investment, with an ambitious and transformational agenda, although stronger linkages could be made between interventions and identified market drivers, demonstrating which interventions are critical to success and which are more peripheral. There is a high level of strategy co-ordination between market renewal, other regeneration initiatives and mainstream services. Investment is also well co-ordinated, with a wide variety of other funding sources directly supporting housing market interventions, together with extensive complementary investment in wider regeneration activity.

- 14 Expertise and capacity is in place to ensure that the Pathfinder programme is delivered effectively. The risk management frameworks identify most of the potential risks to the market renewal programme.
- 15 An appropriate process has been designed to ensure that the programme delivers value for money, although full details of a financial model for assessing the value of interventions and schemes has not been put forward. The Pathfinder understands that the details of some of the procurement mechanisms are still to be developed.
- 16 There has been wide-ranging community consultation on the strategic frameworks within which the market renewal proposals are embedded. Where significant actions are proposed in particular neighbourhoods, local communities are being involved in producing neighbourhood plans. There is a commitment to on-going delivery being overseen by community representatives. Further detail is to be worked up showing how local people and community groups will gain opportunities to be involved in the delivery of some of the interventions.
- 17 Appropriate governance arrangements are in place that will enable the programme to be effectively controlled, and there are structures in place to enable accountability to local residents. However, there is the potential for confused responsibilities because of the complexity of some of the relationships between delivery agents. It is not clear whether formal agreements have been signed between parties to ensure legal accountability and transparently define roles and responsibilities.
- 18 An appropriate structure is in place for monitoring performance by measuring outputs and outcomes, although there are no outcome targets in place for the first three years' programme. There are also no targets presented for the non-housing objectives that are most significant to housing market renewal.
- 19 It is not possible to predict with certainty that the market renewal proposals set out by the Manchester Salford Prospectus will achieve the Pathfinder's aim of sustainable communities over the next 10 to 15 years. What can be said is that the proposals are based on a comprehensive evidence base, and offer a wide-ranging and holistic approach to the problems of the Pathfinder area. The housing interventions will take place within broader strategic regeneration frameworks, ensuring strategy co-ordination, and very significant complementary investment by the public and private sectors.
- 20 The partners involved have strong track records in achieving transformational change. A wide range of stakeholders has been engaged in agreeing the regeneration strategies for the Pathfinder area, and local people have been engaged in putting together neighbourhood plans. Successful delivery will require the risks to be managed effectively and progress to be evaluated so that the balance of interventions can be fine tuned in response to changing movements in the market. If delivery reflects the proposals set out in the Prospectus, it is likely that the housing market in the Pathfinder area will be significantly strengthened over the next 10 to 15 years.

Recommendations

- 1 The Pathfinder should work with the Audit Commission to agree how to strengthen its framework for further market analysis and for monitoring progress and market impact. Specific areas of focus should include:
 - ◆ an analysis of migration data once this is available from the 2001 Census;
 - ◆ an agreed approach to understanding the critical factors which drive market success;
 - ◆ the collation of soft data on market intelligence particularly in relation to understanding the aspirations of those who are to be encouraged to invest in the Pathfinder area;
 - ◆ an agreed specification for monitoring key non-housing drivers, including appropriate comparisons within the sub-region and more widely;
 - ◆ the development of a baseline for monitoring the quality of the environment; and
 - ◆ an update on data on unfitness and disrepair in all sectors.

These arrangements are to be in place within six months.

- 2 Finalise arrangements to monitor the relationship between market renewal activities within the Pathfinder area and surrounding areas. This is to include monitoring the supply of housing outside the Pathfinder area that is competing for the same residents, and monitoring any impact of Pathfinder activity on other neighbourhoods outside the Pathfinder area.

These arrangements should be finalised within six months.

- 3 Provide examples of the linkages between complementary non housing programmes at both a strategic and area level, demonstrating the link with the housing market. Set out how this complementary activity and housing market renewal will be monitored in an integrated way.

This should be completed within six months.

- 4 Further develop the detail of the proposals for residents of the Pathfinder area to actively participate in the delivery of the market renewal interventions.

These proposals should be produced within six months.

- 5 Clarify the accountability relationships between delivery agents and the Pathfinder, and put in place agreements between those parties to define roles and responsibilities.

These should be in place within one month.

- 6 In order to protect the considerable levels of investment proposed by the Pathfinder appropriate arrangements should be identified for on going maintenance.

This work should be in place in six months.

- 7 Provide outcome forecasts for the first three years, demonstrating the impact of the initial programme. Also demonstrate that there are appropriate targets in place for the improvement of key non-housing indicators that are critical to housing market renewal.

These targets should be provided within three months.

- 8 The Pathfinder should 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 market renewal funding is no longer available.

This should be in place within 12 months.

Mike Maunder
Market Renewal Team Leader

Andy Foot
Market Renewal Pathfinder Co-ordinator

Email: a-foot@audit-commission.gov.uk
m-maunders@audit-commission.gov.uk

Introduction to the Pathfinder

- 21 The Manchester Salford Market Renewal Pathfinder sits at the core of the Greater Manchester conurbation as the regional centre of the North West. The intervention area covers 19 of Manchester's 33 wards and eight of Salford's 20 wards either side of the River Irwell with the focus of proposed activity being concentrated in four Area Development Frameworks (ADFs). These are Central Salford, East Manchester, North Manchester and South Manchester. A context map of Greater Manchester together with details of the Manchester Salford ADFs is set out in Appendix 1.
- 22 The two cities along with other major urban centres have experienced decades of growing unemployment as traditional industries have declined and new sectors chose to locate in out of town locations with better transport links. Between 1973 and 1995 employment in the two cities declined by 23 per cent but since then employment has increased by 15 per cent, compared with 5.7 per cent across the North West.
- 23 The two cities and the Pathfinder area in particular are characterised by high levels of multiple deprivation, with 23 of the 27 wards in the intervention area in the worst 10 per cent in the country, of which eight are in the worse 1 per cent in the country.
- 24 Since the 1971 Census the populations of Manchester and Salford have decreased, principally due to the migration of economically active households.
- 25 The Pathfinder area is characterised by an oversupply of older, smaller terraced housing, and flatted accommodation that has declined in value as demand has fallen, leaving many owners in negative equity and often without a means to maintain their homes in reasonable condition. The environment is poor, and in areas where there is a high proportion of council housing stock there is a backlog of investment need as well as low demand. The area is also characterised by a disproportionate number of Council Tax Band A properties, there being almost 81 per cent compared to a national average of 25.5 per cent.
- 26 In order to tackle these problems the Manchester Salford Pathfinder has created a partnership which brings together representatives of the two authorities, English Partnerships, North West Development Agency, the financial services sector and the development sector, with an independent chair, Professor Michael Harloe, the Vice Chancellor of the University of Salford.
- 27 The Partnership has produced a Prospectus setting the details of the problems in the intervention area and its strategy for addressing them. This report is a scrutiny of that Prospectus together with the supporting and source documents listed in Appendix 2.
- 28 The aim of the Partnership is:

'to build stable, sustainable communities, where housing and social infrastructure meets the needs of all citizens.'

- 29 Underpinning this aim are two strategic objectives and four operational objectives, leading to seven areas of intervention that describe the actions on which Market Renewal monies are to be spent.
- 30 The intention of the Pathfinder is for its objectives to allow for a balanced portfolio of housing interventions to be developed that take account of the analysis of the current situation and the need to radically change the balance and quality of housing in its area.
- 31 Activity is to be directed towards increasing the level of private sector development so that a greater choice exists for new and existing residents while supporting improvement in the choice and quality of homes offered in all tenures. Individuals are also to be helped to improve their homes or to move into home ownership for the first time.
- 32 Against the backdrop of this housing investment activity is an intention to ensure attractive and safe neighbourhoods.
- 33 The detail of the interventions ranges from strategic site assembly to action on private rented sector dwellings, support in partnership for Registered Social Landlords (RSLs) and neighbourhood renewal activities aimed at dealing with anti social behaviour and crime problems.
- 34 The bid for Market Renewal resources is just over £113 million but this is intended to trigger the release of monies from a wide range of public and private sector partners giving an overall investment total to 2005/2006 of over £1,274 million. Of this, £646 million is expected to come from private sector investment both individual and institutional.
- 35 In addition to the housing related investment the Pathfinder states that substantial new investment is taking place in education, health and transport initiatives, and new commercial developments are being pursued through other actions. These other investments amount to several billion pounds which are said to be creating the momentum for transforming the perceptions of the Pathfinder area.

Analysis of the diagnosis of the current position

Information base

- 36 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.

Data Sources

- 37 The Pathfinder has provided a wide range of information, including data specific to the operation of the housing market, data on other factors that may influence housing choices, and data showing that communities in the Pathfinder area suffer wide ranging deprivation. This information is sometimes presented at the level of Manchester and Salford as a whole, and sometimes at the Area Development Framework (ADF) level, with some information then examined at the more detailed ward level, to start to draw out the particular issues affecting individual neighbourhoods.
- 38 Generally the submission uses the most recently available data, including both nationally available data sources and data that is derived locally.
- 39 The submission includes an impressively wide range of sources of information in support of the argument for investing in the pathfinder programme. The authors have clearly given considerable thought to the most appropriate source of information to provide evidence for the case being made.
- 40 The submission and its appendices present a very coherent and logical case in which a good balance is struck between argument, data and conclusions. The submission sets out a comprehensive picture of the current situation and the changes envisaged.
- 41 The data can be used as a basis for tracking changes in the Pathfinder area. Most of the data employed is derived from well-established data sets which are likely to continue to be available. As such, they lend themselves to adoption as measures of future progress towards the objectives of the Pathfinder partnership.
- 42 The information base on tenure, and house prices is comprehensive, and is clearly linked to the problem of low demand, suggesting the impact that these factors may be having on the poorly performing housing market. The information is broken down to ward level, based on 2001 Census information.
- 43 The information on vacant properties is also broken down to ward level within the Area Development Frameworks, enabling neighbourhoods with especially severe problems of abandonment to be identified.
- 44 Information on the age and condition of stock in the Pathfinder area is more limited. Data on unfitness is taken from 1988, so is apparently 15 years out of date. There is an assertion that older stock is more likely to be unfit, and will therefore be in less demand, but this is a very crude assumption, with no evidence presented to demonstrate that unfitness is a significant factor leading to reduced demand, when it could also be symptomatic of a failing housing market.

- 45 Information is presented on the social housing stock but the links with the potential causes of low demand are not always made explicit. Useful and detailed information on the number of Right to Buy sales over time is presented, but some comparisons that would help interpret it are lacking. The conclusion of declining interest in RTB in the Pathfinder area is at odds with the evidence presented of rising RTB over the last four years in the Pathfinder area. There is useful detailed information on social housing stock that is subject to 'No Demand' in Manchester. Void rates specific to public sector stock are presented for the North West as a whole, although it would have been useful to have this information for the Pathfinder area.
- 46 There is no information presented on the Registered Social Landlord (RSL) sector, other than indicators of the growing size of the sector, and the vacancy rate for RSL stock across the North West as a whole.
- 47 Some conclusions are drawn about factors contributing to low demand which are likely to be correct but could be demonstrated more effectively from the high quality data produced by the Pathfinder. For example, a comparison is made of proposed factors causing low demand, percentage social rented, percentage terraced and flats, and percentage Council Tax Band A with void rates to support the hypothesis that 'Areas or neighbourhoods become unpopular where these characteristics predominate.' However the data includes some wards with the highest void rates in the Manchester part of the Pathfinder that have a medium to low proportion of Council Tax Band A properties, relative to the rest of the Pathfinder, and medium to low percentage terraces, relative to the Pathfinder. A statistical correlation would have helped strengthen the expected link between property type/tenure and low demand.
- 48 There is no information provided on the potential level of supply of new housing in and around the pathfinder area, based on known land holdings and extant planning approvals. Up to date information for Salford is available in the Salford draft Review of the Urban Development Plan, but there is no similar information for Manchester.

Soft Data

- 49 A large number of surveys have been carried out across the ADF areas, seeking the views of existing residents of their neighbourhoods. These include statutory resident surveys on local services provision, and surveys related to existing regeneration initiatives. These surveys go into detail about the issues that concern the residents of particular wards/neighbourhoods, so show the sorts of actions that are likely to increase residents' confidence in their areas, and add to the quality of their lives. In Central Salford, there is a new Quality of Life and Housing Market Demand Study due to be completed in 2003/2004.
- 50 However, few of the surveys were carried out specifically to investigate attitudes that influence individuals' decisions in local housing markets. Whilst some general attitudes show that particular factors are likely to affect local housing markets, the relative importance of these factors in housing decisions remains unclear. An exception to this is the New East Manchester Survey (June 2002) which does analyse the propensity to move, why people want to move, and their financial circumstances that will determine whether or not they are able to move.

- 51 Surveys appear to be of existing residents. A fundamental strategy of the Pathfinder is to capture latent demand in the sub-region and attract new households to the Pathfinder area. However, no surveys of people who currently live outside the Pathfinder area have been carried out to find out what would attract them into the area. Therefore, there is a lack of testing of the strategies to meet the perceived aspirations of potential in-comers. New residents are likely to have some different priorities to existing residents.
- 52 There is no specific soft data on people's housing aspirations – what type of housing do people who are resident now, and potentially resident in the future, want to live in? What are the differing aspirations of different groups? Are people likely to have the income to meet these aspirations? This leaves an area of blindness in setting strategies for re-modelling the housing stock.
- 53 There is a problem of monitoring change if there is no consistent baseline attitudinal data. Some target areas for intervention, especially those classified as 'Sustaining Neighbourhoods' – a range of interventions that includes neighbourhood management, tackling anti-social behaviour, and environmental improvements - are fundamentally about improving residents' and others' perceptions of neighbourhoods. A baseline position needs to be established if progress in this area is to be monitored.
- 54 There is no detailed analysis of migration patterns; statistics are limited to inter-regional movements, showing population loss and gain between the North West and other regions of the UK. It would be useful for the Pathfinder to have access to more detailed information on migration movements between settlements within the region, and it is likely that such information will be made available from the 2001 Census in October 2003. This may help support the assertion that many of the people moving into the region each year will live and work in or around Manchester city centre, and demonstrate the expected movement from the urban centre to suburban and rural areas.
- 55 There is a useful analysis presented of the structure of the employment market, showing a balanced range of employment sectors, with no over reliance on any one sector at a city council wide level, and strong representation of sectors that are likely to grow in the future.
- 56 There is ward level analysis of ethnicity and household composition which is very useful in understanding the character of particular neighbourhoods and how approaches to market renewal will need to be tailored to meet these neighbourhoods' specific circumstances. The data gives the Pathfinder the potential to consider the effect of dramatic changes in household composition on community capacity, and links between household composition and turnover.
- 57 There is no information on the composition of the population in different neighbourhoods by age. Once again, the Census 2001 is likely to be of assistance. Age profiles can be very significant in understanding housing markets, as, for example, a high number of elderly people may indicate that a large supply of houses could come onto the market in a short space of time, or a large number of young people aged 18 to 25 may indicate the potential for a high rate of new household formation, and increased demand in an area if they can be persuaded to stay.

- 58 The extensive information on deprivation and benefit claims at ward level and ADF level is a useful baseline for measuring changes in economic prosperity of each area's residents.
- 59 The educational performance within the Pathfinder area as a whole is fairly typical of Manchester and Salford at the level of Key Stage 2 tests, and GCSE achievements. The Index of Multiple Deprivation Education Domain shows up particular wards in the Pathfinder area that have poor educational achievement relative to the two cities as a whole. Whilst it is likely that poor educational performance is a factor contributing to low demand in the Pathfinder area, weight would be given to this argument by considering how performance compares with schools in adjacent boroughs that are within the same housing markets.
- 60 There is no information on further or higher education, and no information on general levels of skills and qualifications within local populations. However, there is some illustration of the importance of understanding this issue within some of the ADFs (for example East Manchester) which suggests that improving skills is essential for developing sustainable communities. There are likely to be very wide differences in levels of qualifications amongst the population as a whole between different parts of the Pathfinder, especially given the location of the Higher Education Institutions within South Manchester and Central Salford.
- 61 Information on levels of crime would be improved by comparisons with adjacent areas, if crime is significant in deterring people from living in the Pathfinder area. There is one comparison with Manchester City Council area as a whole, and one with England, but none with adjacent authorities or the sub-region. It is not clear why particular types of crime have been presented, and whether burglaries, juvenile nuisance, and vehicle crime are the ones that most affect housing markets. Therefore, the significance of crime in deterring people from living in the Pathfinder area is broadly asserted, but could be backed up more clearly with evidence.
- 62 One area where there is no information provided is the physical quality of the environment in the Pathfinder. This is an issue that is addressed in the proposals, so it would be useful to have in indicators of baseline environmental quality. This could include the best value indicator on the street cleanliness developed for the People and Places programme by the Tidy Britain group.

Trend Analysis

- 63 Detailed comparisons of house prices in the pathfinder area compared to the Greater Manchester average show subtle trends over time, including a potential upturn for non-terraced housing from 2001 to 2002.
- 64 A GVA Grimley study on residential development in the city centre and the potential for development in the Pathfinder area is provided as a supporting document and it provides valuable evidence. It has a thorough analysis of the city centre market, the factors that lead to successful development, and potential gaps in the existing market. It considers the potential for growth into 'secondary locations' within the Pathfinder area closest to the city centre. It also contains analysis of property price changes in post code areas within the Pathfinder and closest to the city centre over the last seven years.

- 65 There is very extensive analysis of changing tenure patterns and home ownership rates in the Pathfinder area compared with other parts of the sub-region, showing trends over time. The information is brought right down to ward level, using data from the 2001 census.
- 66 There is a good analysis of the distribution of property types and values within the Pathfinder compared with sub-regional and national averages based on the 2001 Census, suggesting a problem with the supply side if families and those on higher incomes prefer semi-detached and detached homes, and certainly a lack of choice. This is further broken down to ward level in the ADFs.
- 67 With regard to public sector housing, trends are only shown for the North West compared with England as a whole. This adds very little to understanding the dynamics of the Pathfinder area, where public sector renting accounts for nearly a half of all homes, and the tenure profile is very different from the North West average. This information should be easily available. There is information presented on current private sector void rates, but no information on trends in void rates over time, although this information may be more difficult to collate.
- 68 There is a thorough analysis of changes in Gross Domestic Product (GDP) per capita, and average earnings in Manchester and Salford. It is concluded that the Regional Centre has performed favourably compared with the North West and England as a whole. Performance in Manchester is very similar to the national average and above the regional average, but Salford's performance is slightly below the regional average and further below the national average in most indicators.
- 69 Earnings by ward, showing changes over time, are very useful. Some exceptionally large changes in some wards over three years are highlighted. This provides the basis for consideration of why such significant changes have taken place in particular localities.
- 70 The Pathfinder has provided a study by Experian of future potential employment growth. This sets out the potential extent of future housing demand given three different scenarios for future sub-regional economic performance. It attempts to predict the increases in demand for different types of housing in the Manchester and Salford areas over the next 10 years, evaluating which of the three economic scenarios is most likely to occur. Such a study provides a firm economic rationale for planning to change the structure of the housing stock within the Pathfinder area.
- 71 Ward level analysis of trends in population change over the last 20 years provides high quality information to assist in understanding dramatic movements in local housing markets. More information on trends in household numbers and composition could add to this insight into local housing markets. Whilst there is high quality household composition information provided at ward level, trends over time would add to the evidence base. It could definitively prove that migration away from Pathfinder areas has been more prevalent amongst some household types rather than others.

Existing programmes

- 72 A detailed understanding of existing programmes is important to learn lessons for the future, and to understand how the Pathfinder programme needs to be shaped to fit in with existing activity.
- 73 The Pathfinder offers some detailed descriptions of current regeneration activity and investment within the ADFs, setting out activity within individual neighbourhoods.
- 74 Lessons learned are presented in the main prospectus and the Central Salford and North Manchester ADFs. The main prospectus draws out key issues that experience has taught are fundamental to renewing the housing market. Salford's ADF also deals with general principles, while in North Manchester there is useful more detailed analysis of the performance of particular local initiatives.
- 75 The GVA Grimley study provided as a supporting document, 'Hulme 10 Years On' deals with the question of how the area has changed as a result of comprehensive physical regeneration, and objectively analyses where there are still problems like higher recorded crime and unbalanced household structure, compared to local and national averages. There are a large number of lessons that can be applied to future large scale re-development projects, as well as suggestions, including from focus groups of residents, for on-going work in Hulme.
- 76 The Salford SRB 1 Final Report written by Salford Partnership was also provided as a supporting document. It lists outputs compared with original targets and finds the SRB programme to have been successful in meeting its targets and managing the transition at the end of the programme. This could be useful in guiding future programmes if there is an examination of the reasons for success and consideration of the overall outcomes for the communities involved.
- 77 Most of the references to regeneration activity in the ADFs are to demonstrate opportunity rather than provide an analysis of what works. The large number of regeneration programmes operating within the Pathfinder area should provide learning relevant to particular localities, and benefit the market renewal programme.
- 78 In summary, the information base has more strengths than areas for further development. It is comprehensive and offers detailed information from reliable and appropriate sources. The data gathered is sufficiently robust to support the case for action under the market renewal programme although there are a few areas for further development. These include demonstrating from soft data or developers' market research that there is a demand for the new housing proposed in the Pathfinder area, not just a high level of latent demand for housing in the sub-region and city centre. Principles are established from previous regeneration initiatives to inform the development of the market renewal programme, but there could have been more detailed analysis in the prospectus on the impact of particular initiatives on local neighbourhoods. However, the Hulme study is likely to be very useful to the Pathfinder as Hulme is the closest example of large scale housing renewal. Its lessons should inform the Pathfinder as it develops its plans and moves towards implementation.

Impact of Areas Adjacent to the Pathfinder

- 79 This section looks at the Pathfinder's analysis of external demand and supply factors which affect the Pathfinder area, considering population shifts and the impact of 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.
- 80 In the prospectus, population decline is shown to have taken place at the regional level, with population decline in the North West between 1971 and 2001 of 5.3 per cent, whilst England's total population increased by 6.0 percent. However, population change resulting from migration within the UK appears to have become balanced by 2001, with almost equal numbers of people moving into the North West from other UK regions as migrating out of the North West to other UK regions.
- 81 The Pathfinder demonstrates an understanding of the inter-action of social changes and demography on household formation, showing that despite net migration from the region in the years before the Census of 2001 the number of households in the North West is forecast to increase by 28.1 per cent between 1981 and 2021, because of changes in household composition.
- 82 The Prospectus recognises the extent of outward migration from Manchester and Salford in particular. There has been significant economic and population decline over many decades and people have followed employment opportunities to other locations in the conurbation, taking advantage of a greater choice in the type and location of housing. Each of the post war decades witnessed population decline in Manchester and Salford of over 10 per cent, far greater than the rate of decline within the North West as a whole. It is only in the past decade that this decline has slowed, although it is still a significant issue.
- 83 The continuing decline of population in Manchester and Salford compared with other parts of the region and sub-region, makes it important to understand detailed migration patterns. Migration statistics presented are limited to inter-regional movements. The most extreme population loss is shown to have been from some neighbourhoods in the Pathfinder area, but there is no analysis of population flows between Pathfinder areas and other parts of Manchester and Salford, and between Pathfinder areas and the rest of the sub-region. There is no detailed understanding of the role of adjacent areas in attracting people away from Pathfinder areas, and the ages, ethnic profiles, and household composition of the population who are leaving.
- 84 In considering the future and the potential for turning population loss to adjacent areas into population gain, the Pathfinder looks at the potential impact of forecasted economic growth. It argues that employment growth is likely to maintain and increase high levels of demand for housing in Manchester and Salford and the sub-region and asserts that there may be certain groups of commuters who currently live in adjacent areas who would like to live in the Pathfinder area to be nearer to their work. This may be the case, and the GVA Grimley Market Analysis Study forecasts continuing strong demand for housing close to the city centre, but there is only anecdotal information presented that some in-comers to the city centre are former commuters.

- 85 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 decentralisation 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 Manchester and Salford. 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.
- 86 At the local level, the Pathfinder does not look in detail at how local planning issues have had an impact on population movements between neighbourhoods.
- 87 In summary, the Pathfinder has more areas for further development than strengths in this section. The Pathfinder demonstrates an understanding of the broad population movements from inner areas of Manchester and Salford over time, and predictions for future growth in household numbers. However, there is a lack of detail presented in looking at migration patterns, and a lack of consideration of the planning policies of adjacent boroughs that may influence demand in the Pathfinder area.

Stakeholder involvement

- 88 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 the programme accurately addresses the issues experienced by each stakeholder, and is designed and implemented in the most effective way possible.
- 89 The Manchester Salford Pathfinder recognises the importance of involving stakeholders and benefiting from their expertise in strategy development and delivery. The Pathfinder describes how it has had an extensive dialogue with the key regional policy and funding bodies – North West Development Agency (NWDA), English Partnerships, and the Housing Corporation. It intends to maintain a dialogue with the new Regional Housing Board, and with other local authorities through the Association of Greater Manchester Authorities.
- 90 The private sector has been engaged through discussions with financial institutions and developers, with a Developers Forum including up to 100 developers interested in emerging market renewal proposals. There is an understanding that private sector investment is at the heart of market renewal – 'The public sector must create the conditions that will attract private investment.' Both the financial services sector and the development sector are represented on the Pathfinder Board.

- 91 A Registered Social Landlord (RSL) Forum has been established, with detailed discussions taking place with reference to potential actions in particular neighbourhoods, most obviously in East Manchester. There are clearly well established relationships between the two City Councils and RSLs in their areas, with examples of successful joint working in neighbourhood renewal. Framework contracts with key RSLs are under discussion to set up clear roles in neighbourhood renewal. The RSLs are not represented on the Pathfinder Board, and seem to be seen by the Pathfinder as potentially useful catalysts for change at a local level rather than having a role in influencing Pathfinder strategy.
- 92 The market renewal strategy is well integrated into the Community Plans and Neighbourhood Renewal Strategies of the two cities' Local Strategic Partnerships, ensuring that planning and delivery is considered by representatives from the public and private sectors and local communities alongside other neighbourhood renewal activity. At the ADF level, regeneration agencies are in place in Central Salford and East Manchester that themselves have representation from a range of local stakeholders, and will have responsibility for taking forward the market renewal programme in their areas.
- 93 The relationship between the Pathfinder and mainstream public service providers who have an interest and influence on market renewal, such as the Police and Health Service outside of the two local authorities, and Education, Social Services, and other services within the local authorities is predominantly at the levels of input into existing regeneration structures, the Community Committees/Public Agencies Forum, and particular neighbourhood initiatives. Voluntary organisations have also been engaged at this level. It is not clear from the prospectus how much direct involvement these stakeholders have had in commenting on the market renewal information base, drivers, and solutions, although the Local Strategic Partnerships have formally endorsed the market renewal submission.
- 94 In summary, the Pathfinder has more strengths than areas for further development in the area of stakeholder involvement. It has produced proposals that are well integrated into existing strategies, including Community Plans. Key funders have been included in the strategy development process. Delivery agents have been well engaged, with formal frameworks being developed. The private sector is recognised as being central to market renewal and is well represented on the Pathfinder Board. Discussions with a range of stakeholders have taken place within a wider regeneration context, although it is less clear how much discussion has taken place on the particular objectives of market renewal.

Scrutinising the drivers that have led to the current position

- 95 An understanding of the key drivers that have led to failure within the housing market is essential to 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, and which drivers can be influenced by interventions from the Pathfinder.

Key Drivers

- 96 The Pathfinder bases its analysis of the key drivers operating within the Pathfinder area on the Birmingham University Centre for Urban and Regional Studies (CURS) report 'Changing Housing Markets and Urban Regeneration in the M62 Corridor.' There is an assertion that just as in the CURS report, drivers operate at different levels, from the national to the neighbourhood level. There is a presentation of the national and regional drivers, which are likely to apply to the Manchester Salford Pathfinder in common with the rest of the M62 Corridor. There is then a drawing out of the issues that are potentially relevant to local markets within the Pathfinder. Issues affecting local markets are also identified in the ADFs, both at the level of the ADF as a whole, and at the level of particular neighbourhoods.
- 97 The North Manchester ADF refers to the objectives in the North Manchester Strategic Regeneration Framework, drawing out key objectives to achieve sustainability. While these do not clearly relate back to an evidence base showing causal relationships between drivers and changing markets, they are the result of experience and consultation, and consistent with general analyses of housing market failure.
- 98 In East Manchester there are assertions of what needs to happen to achieve the aim of sustainable communities, based on the comprehensive approach of the New East Manchester Regeneration Framework. Once again, the approaches are based on experience and consultation, but with little formal analysis of an evidence base to demonstrate that the identified key drivers are indeed the issues that need to be addressed to ensure effective market renewal.
- 99 The Central Salford ADF draws on Quality of Life surveys to demonstrate the issues that are most important to local people in encouraging them to stay in the Pathfinder areas. There are also factors cited to do with the nature of the housing stock, particularly with an over-supply of the least popular types of housing. Other factors include poor environmental quality, social factors, and a lack of economic activity. These show an understanding of the range of the causes of market failure and how different issues are interlinked. However, there is little hard evidence to show causal relationships between drivers and failed housing markets, beyond showing the co-existence of indicators of deprivation and indicators of housing market failure at the present time.

- 100 It is demonstrated that given continuing employment growth, there is and will continue to be strong demand for private sector housing generally within the sub-region, and within the Manchester and Salford parts of it. It is clear that demand has been weak within the Pathfinder area compared with other parts of the city in a recent period of economic growth. This demonstrates that the problem therefore lies with the quality of the 'offer' made by the Pathfinder area compared with other areas. However, it is not clear what particular elements of that offer are most influential because of the lack of testing with soft data, and the limited amount of cross tabulation of information on potential drivers with indicators of low demand.
- 101 The data presented on some of the potential key drivers is very limited, particularly crime and schools. Surveys show that these issues are very important to local residents, and to individuals making decisions about where they wish to live. However, the evidence base is extremely limited on these areas, and there is no cross-tabulation with indicators of low demand. Therefore, the Pathfinder does not show clearly that these are the key drivers that would be expected.
- 102 There is no information presented on some drivers that could be expected to be important. Environmental quality is said to be significant, but there is nothing in the evidence base to show poor environmental quality, and no definitive baseline for the Pathfinder area of perceptions of environmental quality from surveys of existing residents.
- 103 Some other factors affecting housing markets that are less tangible are noted briefly in some of the ADFs, and more fully in documents such as the North Manchester Strategic Regeneration Framework as being important to sustainability. These are community networks and social cohesion and local facilities that encourage people to stay in particular neighbourhoods. No analysis is presented to demonstrate if and how these factors have an influence on market renewal in the Pathfinder.
- 104 The fact that there are complex relationships between drivers is understood by the Pathfinder. Many factors are both cause and symptom of market decline. There are descriptions of how these relationships operate in particular neighbourhoods in the ADFs.
- 105 The relative importance of drivers is not clearly expressed by the Pathfinder. For example, an understanding of the extent to which market failure is caused by neighbourhood conditions relative to the attributes of individual properties is essential in designing an effective programme of action. The Pathfinder understands the importance of both, but there appear to be some contradictory statements in the prospectus on their relative importance. It is stated:

'the type of stock available in the Pathfinder does not explain the very low values, and similar types of properties are selling for very high prices in what are perceived as good neighbourhoods. Neighbourhood conditions, including the structure of tenure and types of dwelling, as well as social conditions such as school performance and crime levels, appear to be fundamental to the establishment of vibrant and sustainable housing markets.'

- 106 In general, there is insufficient manipulation of the evidence base to demonstrate causal links between particular factors and the experience of housing market failure. The result is that many of the drivers are put forward as significant because they have been shown to be significant elsewhere in the region, or have been seen to be important in the experience of regeneration professionals and local communities. It is likely that the sorts of drivers identified are the real reasons for market failure, but without modelling from an evidence base it is hard to prove the case, and the relative importance of different drivers cannot be sufficiently gauged.
- 107 There are no projections of future movements in the housing market if there is no market renewal intervention. There is apparently no housing market model for the intervention area which could be manipulated to show the potential effect on demand caused by some of the drivers changing, either through intervention, or uncontrolled changes, with the exception of the Experian economic model. This means that apart from economic changes, there is no mechanism for assessing how interventions should be adjusted and re-prioritised to respond to likely future changes in the housing market as indicators change.
- 108 The lack of forward projections also means that there is no way of understanding what would happen if there was no intervention - the 'do minimum' option. Therefore it is hard to demonstrate the value that will be produced by the proposed programme of interventions.

Monitoring Drivers

- 109 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.
- 110 There is a proposal to establish a Regeneration Centre of Excellence that would monitor 'global changes' for the Pathfinder. This could track the key drivers as part of its remit, but it is not clear that monitoring the drivers that have led to decline are specifically part of its remit. There is a description at of the 'Contextual Indicators' that will be monitored, but most of these indicators are indirect outcomes of market renewal and other factors and are not the key drivers causing market failure.
- 111 Each of the key drivers will almost certainly be monitored by public agencies within their existing remits, but there is nothing in the prospectus setting out how the Pathfinder will ensure that it systematically gathers information on the drivers to inform changes to its programme.
- 112 In summary, there are more areas for further improvement than strengths in the identification and analysis of market drivers. A large number of drivers are identified as being influential in causing market failure and it is likely that most of the drivers that have led to market failure have been identified in the submission, but there is no clear statement identifying which of the many influencing factors are the most important. There are proposals to monitor a range of indicators, but it is not clear whether the drivers that have led to market decline are fully represented.

What solutions are being proposed and will they be effective?

Solutions

- 113 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

- 114 The overall aim and strategic objectives of the Pathfinder are well defined. The operational objectives for the Pathfinder set out the areas of action that it is believed will lead to housing market renewal. At the level of the ADFs, there are comprehensive regeneration frameworks in place for East Manchester and North Manchester. In Central Salford, the objectives are closely tied into the Community Plan, and proposals are integrated into the Neighbourhood Renewal Strategy. There is no existing strategic regeneration framework for South Manchester, but it is recognised that a great deal more strategy development is required there to produce detailed proposals for the majority of interventions that will take place from Year 4 onwards.
- 115 The proposals set out in the ADFs have the support of the Local Strategic Partnerships (LSPs) and other partners because, with the exception of South Manchester, they are in the context of existing strategic regeneration frameworks that have been developed over the last few years, involving significant consultation with stakeholders.
- 116 Many of the approaches have been tested within Manchester and Salford, and the Prospectus emphasises the leading role that the two local authorities have taken in promoting housing renewal and economic regeneration, with some notable successes. Most of the proposed tools have been used in Manchester and Salford, so there is expertise in place to ensure that they are used effectively.
- 117 The prospectus asserts the need to link housing market renewal to non-housing interventions and investment through its second strategic objective:

'to work with other known and planned public and private sector investments to ensure a renewed housing market supports the improved social and economic infrastructure.'

- 118 The detail of how this is achieved is set out in the ADFs, and through the background supporting information. With the existence of comprehensive strategic regeneration frameworks it can be seen that comprehensive investment across a range of services and facilities will have a significant impact on target areas.

- 119 The proposals cover all parts of the Pathfinder area, with key actions described at the neighbourhood level. However, there is still a significant amount of neighbourhood planning to be completed, and the activity of neighbourhood planning is one of the activities under the Sustaining Neighbourhoods Area of Intervention.
- 120 There is an emphasis on a transformational agenda for the Manchester Salford Pathfinder, and a clear understanding of the need to use public sector investment as a catalyst for much greater sustainable investment by the private sector. The programme presented by the Manchester Salford prospectus is bold in the total level of investment that it seeks to bring together to achieve its aim of sustainable communities.
- 121 The proposals take advantage of economic circumstances and potential funding opportunities. They link housing market renewal to a comprehensive programme of regeneration. Whilst this linkage to a wider programme of regeneration is a key strength, there is a weakness in the lack of a clear progression from an analysis of the key drivers of housing market decline to an assessment of how those drivers can be best addressed. The operational objectives and associated Areas of Intervention are not clearly linked to the identified drivers of market decline. This makes it difficult to see that particular interventions have been prioritised in order to best address these drivers.
- 122 The proposals seek to strike a balance between benefiting the existing residents of the intervention area, and providing the neighbourhood conditions and new housing, which attract new residents to the area. For example, the Area of Intervention 'Supporting Home Ownership' is described as:

'important in ensuring that local residents perceive the Pathfinder partnership as working in their interests, and not solely involved in new and expensive housing.'

At the same time, there is an objective of increasing choice within the housing supply by increasing the numbers of larger and more expensive properties available to the market. To assist, £8.3 million has been allocated to Development Support to help produce 1,011 new homes, 'extending housing choice and attracting new populations.' This Development Support is primarily gap funding to enable new private sector developments to stack up.

- 123 The Pathfinder has put forward proposals for some innovative new tools to address the problems of market decline. One example is the proposed value insurance for owner occupiers of new homes built in the Pathfinder area. The scheme is being piloted in the current housing PFI project and could be a valuable new tool for attracting individuals to invest in the Pathfinder. There are still some details to be worked out, such as agreeing how the cost of the insurance premium will be met in marginal new developments, but the approach is welcome as an addition to tools such as gap funding.
- 124 The Pathfinder also draws attention to other tools that are being piloted, or whose use has been pioneered by the two Pathfinder local authorities. These include the use of Section 22 Grant to RSLs, the use of the Law of Property Act 1925 to force sales of empty properties, Home Swap, equity stakes for new home owners, equity loans for existing owner occupiers, and innovative approaches to tackling anti-social behaviour.

- 125 Some other proposed tools rely on changes in legislation that are yet to be approved by Parliament, such as the proposed use of compulsory licensing of private sector landlords in low demand areas. The Pathfinder is clear that delivery of the stated outputs for the first three years will still be achievable if the new powers requested are not available to them.
- 126 There is significant complementary investment set to take place within the Pathfinder area within the first three years of the market renewal programme. However, the Pathfinder makes few clear links between this investment in new facilities such as schools, shopping facilities, health centres, employment and transport infrastructure and the renewal of the housing market. This investment is identified as presenting opportunities to support housing market renewal within local areas, and generally have a positive effect on regeneration. It is not clear however, whether or not it sufficiently addresses the deficits created by these inter-related (non-housing) drivers which have contributed to market decline like poor educational performance and lack of economic activity by Pathfinder residents. It is not clear which of these actions are critical for market renewal to take place, and which are secondary.
- 127 There is an emphasis in the prospectus on capital investments. Capital investments clearly need to be complemented by changes in the nature of service provision to lead to public perception of quality. For example, a number of new schools are to be provided in the Pathfinder area, but for potential new residents to perceive that their children will get a good education, the quality of the teaching and ethos in local schools are likely to be at least as important as capital investment.
- 128 There has clearly been a process of option appraisal undertaken by the Pathfinder. Details of how the option appraisal process was carried out by the Pathfinder have been provided. A long list of broad options was considered before a general balance of approaches was agreed. The operational objectives were defined and weighted before a short list of options was measured against the potential contribution that they would make to each operational objective. The impact of programmes of different sizes and costs was considered, with the middle level of investment chosen for the submission. Different options for delivery were also considered, with delivery by a local authority partnership chosen. The process demonstrates an appropriate consideration of different options.

129 In future, Annual Investment Plans will determine the balance of interventions:

'the assessment process places an emphasis on the totality of activity, the resources and impacts at plan level, the deliverability of the actions collectively and the certainty of delivery.'

There has also been a consideration of the need for balanced investment:

'the balance of investments has taken account of the variations within neighbourhoods, particularly where each neighbourhood is on a progression towards market renewal and sustainability. This has shaped both the overall programme, and the sums allocated to particular Area Development Frameworks.'

Therefore, the balance of options chosen for investment reflects the perceived needs of each neighbourhood and each ADF, and the impact of existing regeneration initiatives on each area.

- 130 Although interventions in public sector housing are not the primary focus of Market Renewal funding in the Manchester Salford Pathfinder's proposals, the inter-relationship between public and private sectors is recognised in the prospectus. It follows that for comprehensive market renewal to take place, activity related to private sector housing must be matched by appropriate intervention with regard to public sector and RSL homes. The emphasis of the proposals to form new partnerships with RSLs is to find ways of better co-ordinating RSL development activity, improving the management of RSL stock, and finding new roles for RSLs in assisting neighbourhood renewal. The proposals emphasise the positive role that RSLs can and should be playing in neighbourhoods where they have significant concentrations of stock. However, there is no evidence that there has been consideration of the needs of RSLs where low demand stock is a financial liability and they are struggling to finance positive asset management strategies.
- 131 There is information presented on the investment plans for the two local authorities' housing stock, and a demonstration that investment strategies are influenced by annual demand assessments. A range of potential options is being considered to achieve the investment required to reach the Decent Homes Standard. In carrying out option appraisals opportunities are being identified to help meet the objectives of the Pathfinder by clearing obsolete and unattractive stock, facilitating site assembly and the creation of new mixed tenure developments, improving sustainable stock, and taking part in neighbourhood management initiatives. The quality of the management of public sector housing is identified as being a driver of demand for this stock, especially tackling issues such as crime and anti-social behaviour, and environmental quality. The options for achieving investment include transferring housing management responsibilities through Arms Length Management Organisations (ALMOs) in Salford and Manchester, and Private Finance Initiatives (PFIs) in Manchester, and transferring stock ownership to new and existing RSLs in Manchester.

- 132 An ALMO for the whole of the Salford City Council stock has been established but extra funding for investment in the stock has not yet been received to date because of a failure to achieve a 2 star rating from the Audit Commission. The PFI deal for Ardwick is close to legal completion. Plans are well advanced for Miles Platting, with £55.7 million in PFI credits awarded for the 2,212 homes in Manchester City Council ownership on the estate. While the process in Ardwick has taken several years to reach the point of legal completion, there are lessons from which future PFI projects in Manchester can learn. Small scale stock transfers of Manchester City Council stock have been taking place for a number of years. The transfer to Eastlands Homes is significant for public sector stock in the Pathfinder area as initial transfers focused on out of borough estates.

Displacement

- 133 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 Manchester Salford Pathfinder boundaries. These wider changes will influence the policy responses from neighbouring local authorities.
- 134 The Regional Housing Strategy refers to the adjacent areas that are also at risk of housing market collapse:

'As the Communities Plan acknowledges, the Pathfinders nationally cover only about half of the homes affected by low demand and abandonment. There are significant areas across the North West in this category.... While many of these are within the Pathfinders, significant numbers are not.'

- 135 It then explains its role in monitoring and co-ordinating the activities in Pathfinder and non-Pathfinder areas, which are at risk of housing market collapses:

'These priorities will be delivered by a combination of investment and other activity by local authorities, the private sector, housing associations and many other local and sub-regional players, including the market renewal Pathfinders themselves. It will engage with the four housing market renewal Pathfinders as their strategies emerge, to ensure alignment between the Pathfinders' plans and broader regional and sub-regional strategies. It will encourage neighbouring authorities to develop complementary strategies.'

- 136 The Pathfinder recognises the existence of spill over effects. It sets out the co-ordinating role of the Association of Greater Manchester Authorities. It also demonstrates that the total number of new homes to be developed with the Pathfinder area, net of demolitions, can be accommodated well within the net housing gains proposed for Manchester and Salford within Regional Planning Guidance. It goes on to argue:

'at this stage it is difficult to predict the impact of the housing construction programme within the Pathfinder area on neighbouring housing markets. In advance of the programme being put in place we believe that the impact will be minimal – the scale of the programme can be contained within the existing provision for new housing in RPG and the nature of the markets to be developed point to a housing product aimed at retaining existing households, newly formed households, such as graduate leavers, and newly arrived households to the region.'

- 137 In other words, the Pathfinder argues that the changes to its stock of housing will meet the demands of residents who would otherwise have left the area once they can afford to buy a house, migrants into the region, and temporary residents such as students. It will not 'poach' residents from other areas, it will simply reduce the pressures out-migrants place on owner occupier housing in over-heating suburbs and semi-suburbs.
- 138 This argument is defensible in terms of the impact on adjacent areas within the Pathfinder authorities and in neighbouring housing markets. New housing development is to be targeted at a range of market levels and will include a proportion of affordable homes in order to accommodate existing residents displaced by demolition or clearance.
- 139 Clearance will be disproportionately targeted on lower-value homes, including properties for which there is no demand in the social rented sector. Significant numbers of low value private sector homes, many of which are vacant, are to be acquired for clearance through the life of the programme. However, the Pathfinder is committed to maintaining its population base and not displacing existing residents into adjacent areas. The Pathfinder is proposing to put in place guarantees across the Pathfinder area which will ensure that all existing residents can access affordable alternative accommodation in their own neighbourhood, or if they prefer, elsewhere in the Pathfinder area.
- 140 The Pathfinder needs to develop protocols and shared arrangements with the North West Regional Housing Board to monitor changes in local housing markets in the context of changes at the regional level and to collect information on activity in 'popular' areas outside the four Pathfinders.

Sustainability

- 141 The proposals aim to achieve sustainability by radically changing the mix of the housing stock within Pathfinder areas. Significant physical changes through clearance, refurbishment, and new build will change the character of some of the neighbourhoods within the Pathfinder.
- 142 Significant work has been carried out to re-structure mainstream service delivery in local neighbourhoods that should ensure mainstream buy in to support sustainability. In Salford, the delivery of all regeneration initiatives has been brought together in a structure that is fully tied into the Salford Partnership. The Primary Care Trust (PCT) and Police are re-aligning their services to co-ordinate with the regeneration delivery teams, although it is not clear how this will happen or whether it will be followed by other mainstream service providers within the local authority.
- 143 In Manchester, a Public Agencies Forum has been established, initially in East Manchester, but now being extended across the City to co-ordinate the delivery of key public services, and the development of joint approaches to cross-cutting issues. At the ward level, Ward Service Co-ordination Groups have been established to agree annual action plans between representatives from Council Departments, local Members, and local community representatives. The Best Value Performance Plan also considers co-ordinated service provision.
- 144 There will need to be on-going revenue provision for the neighbourhood management measures that will improve public services to the Pathfinder. There is very significant investment planned for 'Sustaining Neighbourhoods' - £19.4 million. However, it is not clear how these resources will be allocated between the various forms of action. Some actions involve capital costs that help re-model the local environment, but others are revenue costs. Whilst it is noted that:

'much can be accomplished by better co-ordination, planning, and delivery of mainstream council and other services.'

There seem to be significant extra resources going in to supplement mainstream resources in the Pathfinder area. These resources are to be used to help stabilise areas where detailed neighbourhood plans are still to be developed in advance of activity later in the programme, to manage the extra demands of neighbourhoods undergoing change, and as the principal intervention in areas that are already more self-sustaining. It is a concern that there is no information presented on what will happen in the medium to long term when market renewal funding is no longer available to support the extra services that have been introduced.

Risks

- 145 The prospectus presents five separate risk management frameworks, with the main prospectus concentrating on the macro-economic and external policy and funding issues, and those of each ADF concentrating on delivery issues.
- 146 The ADFs present a range of risks, mostly under the headings of the Areas of Intervention. The East Manchester framework concentrates on the principal issues, identifying site contamination, and escalating costs alongside risks identified in other areas. It has strong information on how the identified risks will be managed. The Central Salford ADF goes into more detail in identifying potential risks but gives little information on how the risks will be mitigated, other than by 'effective' action. Along with South Manchester, it identifies displacement and competition between different parts of the Pathfinder as potential risks. The North Manchester framework has a good level of detail and breaks the risks down to the principal interventions in each neighbourhood. There are differences in the formats between the ADFs, with some frameworks linked to actions in particular neighbourhoods, and others applying generally across the ADF. There is some inconsistency in different ratings for the same risks in different documents – for example, Compulsory Purchase Order (CPO) delays are high risk in North and East Manchester, medium in South Manchester, and low in the main prospectus.
- 147 In the main prospectus, the macro economic risks are generally considered to have a low likelihood of occurrence over the first three years. The framework recognises that the consequences of such changes as recession or increased interest rates could be severe. The framework only attempts to evaluate risk over the first three years, as it is difficult to predict movements in macro-economic indicators over the medium to long term. However, the likelihood of unfavourable changes to rates of interest and economic growth at some time over the next 10 to 15 years must be quite high. The proposed monitoring of economic indicators will need to be capable of identifying impending economic changes so that appropriate revisions to the interventions can be put in place.
- 148 The key risks relating to recruitment, land acquisition and re-development, and community involvement are identified. The actions to manage risk rely heavily on improved marketing and increasing the resources put into the risk area. It is not clear where these extra resources will come from.
- 149 The potential risks of failure to continue to receive funding support are recognised. However, the potential impact of adverse policies in the region or neighbouring boroughs is not recognised. For example, if planning policies in adjacent boroughs encourage significant new build activity, there will be an effect on demand for new homes within the Pathfinder area.
- 150 The risk of failing to deliver investment to the public sector housing stock is not recognised in the risk management frameworks. Most of the investment options require tenants and leaseholders to support a change in stock ownership, and this support is uncertain.

- 151 There is no reference in the main prospectus to the risk of other service providers failing to deliver improvements to their services that are critical to housing market renewal, although this is noted in the East Manchester ADF. This includes the initial complementary investment needed to bring real change to neighbourhoods, and the risk of these changes not being maintained in the long term.
- 152 There are no references to potential risks for particular neighbourhoods that are beyond the scope of housing investment and beyond the control of non-housing agencies.
- 153 The risk management arrangements at the level of the Pathfinder as a whole include a Risk Register that is reviewed monthly by the Core Management Team. Reports will also be made to the Partnership Board. There is a prescribed system for each project to have its own risk assessment, reviewed at ADF level, with regular reports up to the Core Management Team.
- 154 There are particular detailed arrangements specific to each ADF for monitoring and managing risks. Risks are generally owned by neighbourhood team leaders/delivery teams. The Salford delivery teams are part of the delivery of other regeneration programmes in Central Salford and report to the Central Salford Initiative which then relates to the Pathfinder Board.

Special Purpose Vehicles

- 155 There is still a lot more detail to be worked up by the Pathfinder on how some of the proposed interventions will be delivered. The milestones for implementing the programme include 'firming up' the delivery vehicles for each ADF in October/November 2003. However, the prospectus does allude to two special purpose vehicles to be used in the East Manchester and Central Salford ADFs.
- 156 In East Manchester, the delivery of the market renewal programme comes under the wing of the New East Manchester Urban Regeneration Company (URC). This was one of the first wave of URCs and it has put in place the East Manchester Strategic Regeneration Framework and begun substantial delivery of regeneration programmes on the ground. Therefore, this is an established vehicle with clear aims and a focus on achieving sustainable communities within East Manchester. As a URC it has the potential to channel private and public funding, it has direct involvement from the private sector, and has established mechanisms for involving the local community. It should be well suited to delivering an effective programme within East Manchester.

- 157 In Broughton in Central Salford there is a proposal to form a Higher Broughton Regeneration Initiative partnership with private sector developers. This will facilitate clearance and the re-development of mostly high value new homes. No details of the arrangements are presented in the prospectus. There is a lot more development to take place in looking at joint venture models, with the Pathfinder requesting:

'that the development of innovative financial models of partnership working with private sector investors be supported and sympathetic consideration be given to requests from the Pathfinder in relation to relaxations to some of the accounting and financial limits that currently apply to local authorities.'

- 158 In summary, there are more strengths than areas for further improvement in the solutions proposed by the Pathfinder. The proposals are matched by very significant complementary investment, and the proposals fit within wider regeneration and public sector investment strategies. There is a wide range of tools put forward, and the two authorities demonstrate that they are likely to have the capacity and expertise to deliver the programme. Whilst major investment will produce significant outputs in the first three years, there is an insufficiently clear link to the identified market drivers, so it is not transparent how these outputs contribute to the overall aim of sustainable communities in the long term. There is no clear programme over 10 years showing how a critical mass of linked interventions will be built up in a particular area, leading to changes in the market before the programme is rolled out elsewhere.
- 159 The risk management frameworks identify most of the potential risks to market renewal. However, the frameworks lack the context of a clear statement of which interventions are critical to success and which are more peripheral. This means that it is not clear how resource priorities should be changed in response to adverse circumstances arising. Without this understanding, there is a danger that more resources will be allocated to the first problems that occur.

Resources

- 160 It is important for the Pathfinder to demonstrate that where there are investments by other organisations and funders to support the market renewal process; these are co-ordinated with the Pathfinder's own activities to produce the desired outcomes.

Investment Co-ordination

- 161 With regard to investment by the private sector, a Developers' Forum has been established, giving a formal point of contact to release information and discuss potential new developments. In East Manchester, lead developers have been appointed to take forward re-development in individual neighbourhoods. There are some existing design frameworks in place supported by Supplementary Planning Guidance to enable the local authorities to achieve high quality urban design in new developments. There is a track record of high quality design in re-developments such as Hulme and Salford Quays.
- 162 The existing Housing Strategies of Manchester and Salford are said to provide the framework to ensure that housing interventions by the Pathfinder successfully integrate works to private sector stock with works to public sector stock. The Manchester Housing Strategy 2002 and the draft Manchester Housing Strategy 2003 put market renewal at the heart of their objectives, setting together the needs of the private and public sectors. The Salford Housing Strategy 2002 recognises the problems of the housing market, and the issues raised in CURS research, but concentrates on renewal activity in the private sector as a response rather than setting an objective of restructuring the general housing market to meet changing demand.
- 163 It is not clear how resources have been allocated between interventions in private sector housing relative to public sector housing. As resource allocations are only broken down in the prospectus between the broad Areas of Intervention, it is not clear how much of the £31 million for Strategic Site Assembly is proposed for the Intervention – Rationalisation of public/RSL stock. This appears to be the only area of Market Renewal Fund capital expenditure on existing public sector stock.
- 164 There are very substantial commitments from other public funding agencies to provide resources in support of market renewal, notably from English Partnerships and North West Development Agency (NWDA), but it is not clear what further approval processes will be required from these agencies, and whether resources are unconditionally allocated or conditional on the approval of detailed project proposals once they have been further developed. Of the £58.494 million funding from English Partnerships for the first three years, £6.68 is classified as 'committed/known', £18.85 million is 'agreed in principle', but nearly £33 million is 'new funding'. It is not clear whether or not this new funding is likely to be agreed. However, there are further possibilities for investment in public sector stock that are additional to the resources quantified in the prospectus.

- 165 There is only limited information on the outputs and outcomes that will come from investment from other funding on Pathfinder activities. There is also some potential for confusion between funding sources. For example, it is stated that Strategic Site Assembly will receive £31 million of investment from Market Renewal funding and produce an output of 2,267 properties acquired for Pathfinder purposes. This is an average of £13,700 per property acquired. There are other funding sources being spent on Strategic Site Assembly, including Single Capital Pot, English Partnerships, and NWDA funding, and it is not clear what the total spending on Strategic Site Assembly will be to achieve the output target, or what proportion of the output target will be met by Market Renewal funding. Therefore, it is difficult to assess whether the stated investment will be sufficient, or the extent of reliance on other funding streams to achieve market renewal objectives.
- 166 Private sector investment has been calculated by using standard assumptions of the leverage to be expected from different types of intervention, based on previous experience. The Pathfinder states that £646 million of the £1.27 billion of investment that it expects within the Pathfinder area in the first three years will come from private sector investment, including institutions and individuals. However, only £15 million of this will directly support the Pathfinder's activities.
- 167 There has been a concentration of initial resources on those neighbourhoods that according to the neighbourhood typology are more advanced in their strategic planning and journey from stabilisation to market renewal. These are areas where there is a high level of existing complementary investment. This should help ensure deliverability and produce tangible outcomes in those neighbourhoods where resources have been concentrated. There needs to be a balance between maximising short term impact where there is existing complementary investment and planning actions in other neighbourhoods that will prepare the way for market renewal over the long term, supported by further complementary investment. Broadly, the Pathfinder programme appears to achieve this balance.
- 168 The Pathfinder recognises the importance of ensuring complementary investment from mainstream resources. An example is, where it is stated that:

'pro-active enforcement is very demanding and intensive and, to be successful, must be properly resourced and sustained across all departments.'

But it will be difficult to ensure that mainstream resources will be secured over the lifetime of the Pathfinder. The Annual Investment Plans are the proposed mechanism for setting Pathfinder budgets, so these need to identify the requirement for particular complementary mainstream resources, and the Pathfinder will need to maintain political and senior officer support to ensure that they are available.

- 169 Complementary investment in infrastructure in each of the ADFs is set out, showing that significant capital investment in areas such as schools, transport, healthcare, retail facilities, and environmental improvement will be delivered alongside the Pathfinder programme. These complementary investments were conceived outside of the market renewal framework, but a programme is provided showing when they will be delivered. However, it is not clear whether or not delivery plans have been revised to co-ordinate with market renewal interventions.
- 170 The considerable levels of investment proposed by the Pathfinder are likely to lift the image of the area but leave a challenge of on going maintenance in order to sustain the improvement. This area of ongoing maintenance has not been addressed by the prospectus.

Value for Money

- 171 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.
- 172 The Pathfinder sets out in the prospectus a set of criteria for evaluating Annual Investment Plans. These are the programmes for intervention at the level of broad themes/groups of projects, and it seems that they will be prepared by each ADF for approval each year by the Core Management Team and Board. Value for money is established by demonstrating that the programme meets the objectives of the prospectus, fits with other strategies, and meets the requirements of the market. The quality of the programme is further evaluated by considering whether it is balanced, innovative, and preparing the ground for future investment. There is an assessment of risk and deliverability. The financial testing of the programme considers the cost in relation to the proportion of total outputs from the prospectus that will be achieved, the cost of particular items compared with other benchmarks, potential additional benefits of the programme, and potential leverage of private sector investment. The prospectus forms the benchmark programme against which future years' activity will be measured. The contribution of each year's Annual Investment Plan (AIP) to the overall outputs in the prospectus will be compared with the costs of the AIP.
- 173 A similar process will be used for evaluating individual projects, including a consideration of the contribution to neighbourhood plans.

- 174 Whilst the prospectus sets out mechanisms for year on year evaluation of programmes it is not clear whether the overall programme set out in the prospectus has been evaluated in the same way. It is stated that:

'the balance of HMR funding between interventions is based upon the baseline conditions in each neighbourhood, the early opportunities for market investment and the priorities identified in the ward/neighbourhood plans and consultations with local communities. The final balance of funding between interventions has also taken account of the likely cost of individual actions/tools, the availability of non HMR funding towards Pathfinder activities and the scale of outputs and outcomes which can be achieved for a given level of funding.'

The second sentence suggests that there has been (a) Cost Effectiveness Analysis, where the costs of different options for achieving the same outcomes are compared, (b) Consideration of the additional resources that can be levered in, and (c) Some Cost Benefit Analysis to evaluate the potential outcomes that can be achieved from a given investment. However, there is no financial model provided showing how these calculations have been carried out.

- 175 A detailed spreadsheet of costs has been used to build up costs from individual projects within each neighbourhood. These projects are classified by Area of Intervention and the funding source being used for each project is identified. This is a useful tool if it can be used for modelling as well as tracking expenditure.
- 176 There is a problem of defining additionality when drawing up a programme that is embedded within a wider regeneration context. When undertaking cost benefit analysis for a Market Renewal funded programme, it is difficult to isolate outcomes of the programme from those that would have occurred for other reasons, or because of other investment. The Pathfinder has avoided this problem by not attempting to quantify precisely the outcomes deriving from each investment, but this means that there is a lack of clarity about what value the Pathfinder will produce for the investment that it is seeking. There is also no attempt to show a baseline position, setting out investment that would have taken place without the Pathfinder, the impact that it will have, and the added value produced by the Pathfinder programme.
- 177 There is the potential for considerable displacement of resources. It seems that the Pathfinder has allocated some Market Renewal funding to activities that are close to statutory local authority functions, such as dealing with contamination of sites, enforcement, and the provision of housing advice. The relationship between the funding for these existing services and Market Renewal funding is unclear.
- 178 Average cost assumptions are set where it is made clear that costs in individual projects will differ from the average costs, reflecting local circumstances. The average costs provide a useful measure against which any variations will need to be explained. It is not clear whether the costs assumed in the prospectus programme are an aggregation of average costs, or reflect the actual costs assessed for particular projects.

- 179 The prospectus makes few references to Best Value, but the local authorities are bound by the duty to secure Best Value on the services they will provide. This will include evaluating whether implementation of particular areas of activity should be carried out by the local authorities or by other agencies. The Board's terms of reference include references to the need to achieve value for money – the best use of resources to deliver objectives; securing added value without duplication.
- 180 Procurement mechanisms are described by the Pathfinder. It proposes two measures relating to joint working with private developer partners. The first is the intention to establish an appraisal and clawback mechanism in relation to gap funding provided by the Pathfinder, to guard against excessive profits. The detail of this still needs to be worked out, although the local authorities have track records in similar development projects, and there are established gap funding models used by English Partnerships and NWDA. The second is an intention that contractors will be required to add value by participating 'in the economic and social regeneration of the locality'. The value of this approach will be worked out in the detail of the partnering arrangements. The Pathfinder demonstrates its commitment to setting up long term partnering relationships, in accordance with the recommendations of the Egan Report, which should encourage long term value and reduced risk of failure in delivering high quality new development projects.
- 181 It is not clear that value for money through innovative procurement will be measured using key performance indicators. It might be expected that these would be measured at the level of the Pathfinder as well as at individual project level to implement the cost efficiency objective of the Pathfinder Board.

Deliverability

- 182 The Pathfinder is proposing to deliver a very significant programme of interventions over the two and a half years to March 2006 which includes £113 million of Market Renewal funding, and £130 million from other public funding sources. There is a concentration of Market Renewal funded activity, with 39 per cent of the Pathfinder's total going to the Central Salford ADF, and within that ADF, the majority of funding going to the two neighbourhoods of Seedley/Langworthy and Broughton. The next largest programme is in East Manchester, with 28 per cent of the total programme, followed by North Manchester with 21 per cent, and South Manchester with 11 per cent. The balancing percentage is taken up with secretariat costs.
- 183 The Central Salford ADF anticipates that over a third of their resources (£15.910 million) will be spent on strategic site assembly. This is an area of intervention that is inherently difficult to implement because of the requirement for agreement with a large number of property owners, and/or long running statutory processes. The proportion of funding being spent on strategic site assembly in Central Salford is higher than the other ADFs. The East Manchester ADF says that clearance is a relatively modest part of the overall investment, reflecting a realistic assessment of the rate that can be achieved based on past experiences. Whilst circumstances are different in Central Salford, and there may have been more background work already carried out, it raises uncertainty over whether delivery is feasible in the timescale.

- 184 There are likely to be a large number of delivery agents for the whole Pathfinder programme, although the details are still to be worked out. It is clear that a significant proportion of the programme will be delivered by the two local authorities. In Salford, a Core Management Team will answer to the Central Salford Partnership and oversee delivery teams of specialists, that will also 'co-ordinate' other regeneration programmes and initiatives. It seems that some staff will be recruited from the private sector and others will come from the public sector, but it is not clear how much reliance there will be on existing staff from within the local authority. Given the size of the programme, it seems inevitable that many new staff will need to be recruited, and gaining the right expertise will be a challenging task. It is stated that two of the four delivery teams have already been set up, and other posts are currently out for recruitment.
- 185 In Manchester, there are different delivery arrangements in each of the ADFs. In East Manchester, delivery will be through the New East Manchester URC. A team is already in place as a result of existing regeneration activity, but it will be enhanced to deliver the market renewal programme. An organisational structure has been developed for market renewal, and it is said that key staff will be in place by September 2003.
- 186 In North Manchester, responsibility for implementation currently comes directly under Manchester City Council's Executive Committee. Multi-disciplinary teams have been established, but long term delivery arrangements are still to be confirmed. In South Manchester, responsibility for delivery is with Manchester City Council's South Manchester Regeneration Team. No detailed proposals are presented setting out the staff resources that will achieve this delivery. Staff capacity needs to be developed quickly to deliver the North and South Manchester ADFs in a very limited timescale.
- 187 There is evidence that most of the tools have been used very actively over the last few years by the two local authorities. In particular, both authorities have had an on-going CPO programme, so have the skills and experience to maximise the effectiveness of this tool. There have also been large scale re-development programmes overseen by both local authorities, including Salford Quays, Hulme, the Commonwealth Games, and a wide range of re-developments in Manchester city centre. Time critical projects like the Commonwealth Games have been successfully delivered. Large scale regeneration programmes such as Hulme have evolved over many years, but have been effective in achieving sustainable transformation of a large area, with private investment central to the process.
- 188 Political approval has been gained within the local authorities, and local members will have been consulted on significant early actions through community consultation processes that have taken place already. There is one potential problem of vires referred to in the prospectus – the limits on committing to future expenditure in advance of funding certainty when declaring CPOs. The CPO process can take at least two years to complete if there is a public enquiry, so each local authority will have to begin the process two years in advance of committing expenditure on acquisition/compensation payments. As there is no certainty of Market Renewal funding beyond April 2006, this could mean that no new CPOs are initiated after April 2004, beyond those that can be funded from Single Capital Pot, in case future funding is not forthcoming. This could have serious implications for the market renewal programme.

- 189 The Pathfinder will be developing central capacity to manage the process, and appointing an Integrated Secretariat to fulfil a number of co-ordinating functions. At present, the Secretariat is partially in place, with further appointments to be made over the next six months. One point eight million pounds of Market Renewal funding is allocated to its functions. The Pathfinder has already appointed an independent Technical Advisor to help evaluate potential projects and comment on the programme. This should help the approval process and thereby assist delivery.
- 190 Other delivery agents include RSLs. Framework contracts with lead RSLs are proposed, to clearly set out roles and responsibilities. There are already well developed relationships with key RSLs in place, especially in Central Salford and East Manchester, where the majority of early action will take place.
- 191 Developers will deliver the 1,011 new homes planned for the first three years. Lead developers have already been selected for some key projects, and it is proposed that partnering agreements will be set up to encourage long term commitment and investment from key developer partners. One risk identified is potential capacity limitations within the construction industry, but this risk is likely to be relatively small in the first three years because the bulk of new build activity is planned for later years. The 1,011 new homes over three years (of which 802 are in Central Salford) compares with a potential new build rate for the next 10 years of around 1,200 homes per year in the whole of Salford. The number of new homes constructed each year in Manchester is likely to be far higher than this. Therefore, the increase in development from the existing level of activity is limited. Thought is being given to developing capacity for higher levels of development for later years.
- 192 It is not clear how much contingency planning has taken place. There is reference to officers rigorously scrutinising the projects put forward to ensure that they are deliverable but there will always be some that cannot proceed, especially where new tools are being developed. The risk management framework in the prospectus recognises the problem with regard to land acquisition, and recommends that lists of reserve sites are compiled at ADF level.
- 193 It is not set out what level of resources has been allocated to each tool within Areas of Intervention. This gives flexibility for the Pathfinder to change the balance of tools within any one Area of Interventions if there are difficulties with implementing particular tools.
- 194 In summary, there are more strengths than areas for development in the Pathfinder's proposals for use of resources. There is good co-ordination of investment, with a wide variety of other funding sources supporting market renewal activity and even greater complementary investment, although there is some uncertainty around whether all of the stated supporting funding will be delivered. Investment appears to be balanced between interventions, and is strategically focussed on particular neighbourhoods.

- 195 There is considerable expertise and capacity to ensure that the Pathfinder programme is delivered effectively. Progress in the ADFs in setting up delivery structures and recruiting staff capacity is most advanced in East Manchester and Central Salford where the majority of the early programme is concentrated. There is flexibility and potential for reserve projects to come forward in the event of any delivery problems with particular sites or tools. The problem of committing to forward funding when initiating CPOs is a potentially serious problem for the Pathfinder that will threaten delivery of the programme if it is not resolved by Government.
- 196 There is a commitment to achieving value for money and a process has been designed to ensure that future programmes and projects deliver the right outputs. However, no financial model has been put forward to demonstrate how value for money was assessed for the overall proposals set out in the prospectus. There is some further development to take place in the area of procurement mechanisms.

Community

- 197 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.
- 198 In Manchester and Salford the strategic interventions are closely aligned to existing frameworks that have involved considerable community consultation. In some cases boards with community representation are responsible for overseeing implementation.
- 199 There has been detailed community consultation at neighbourhood level in most of the ADF areas, demonstrating support for the key interventions put forward for funding over the next three years. In South Manchester where there has been least community consultation to date, it is recognised that the development of a strategic regeneration framework will require more comprehensive consultation.
- 200 In North Manchester, there has been significant consultation on the strategic regeneration framework which includes housing market renewal within its comprehensive regeneration plans. This will continue through the development of Ward Service Consultation Groups in every ward to agree ward plans. It is not clear whether or not there has been community input into the detail of the market renewal proposals for North Manchester, although there are statements in the North Manchester Strategic Regeneration Framework that there needs to be further consultation on the detail of housing actions in some neighbourhoods.

201 In Central Salford, there are very many existing regeneration initiatives that have undertaken their own community consultation such as Single Regeneration Budget, New Deal for Communities and Renewal Areas. There is said to be an effective and well tested approach to community consultation. It is not clear whether there are any gaps in the ADF area where there are no existing regeneration initiatives. The market renewal proposals are set firmly within the context of the Community Plan and Neighbourhood Renewal Strategy, which were themselves the subject of community involvement. Area based plans have been produced. A strategic regeneration framework for Central Salford will be produced as soon as possible. The Central Salford ADF states that:

'a vast amount of consultation has already taken place on these programmes and local people are actively involved in the development and management of these schemes.... Some are still at the early stages of development and will need further consultation before investment programmes are agreed.'

- 202 In East Manchester, resident involvement has been encouraged by the development of the New East Manchester Regeneration Framework, as well as more detailed neighbourhood planning. An East Manchester Residents Forum has been established, bringing together 46 residents' associations, linked to the work of existing regeneration programmes. The market renewal interventions are based on actions identified in the pre-existing Regeneration Framework. Where there has been progress since the agreement of the Regeneration Framework, this has been overseen by residents' steering groups.
- 203 Whilst there is clear evidence that communities have been consulted on general regeneration strategy in most areas, and detailed interventions where these are proposed, it is not possible to evaluate how much choice they had in assessing different potential options. It is also hard to evaluate what effort has gone into involving more hard to reach and marginalised individuals. Clearly, it is important that less articulate individuals also have their say, and are actively supported as part of the market renewal process.
- 204 Until further detailed plans are worked up, it will not be clear how involved local communities will be in delivering some of the interventions. Direct involvement in delivery could produce additional economic benefits to deprived communities, and build skills, ownership, optimism, and therefore long term sustainability. There is an enthusiasm to engage local people in market renewal interventions through the arts, and a general commitment to maximise the economic and training opportunities for local people presented by the programme. These initial thoughts need to be developed into clear proposals at the outset of the implementation phase.

- 205 Community cohesion issues have been considered within the wider regeneration strategies of the two cities, with working groups and action plans addressing issues of race equality in key themes such as crime, employment, education and health under the Manchester Local Strategic Partnership. In Salford, race equality is also integral to the Community Plan. In setting up nine Community Committees looking at local service delivery by the Council and Police, there has been an emphasis on engaging representatives from black and minority ethnic communities, refugees and asylum seekers, and faith communities. Strategic regeneration frameworks and area structures for community representation permit individuals to see the long term plans for their area, to understand the sequencing of proposals and investment, and to be more involved in shaping the delivery of services and regeneration in their neighbourhoods.
- 206 In summary, there are mainly strengths with almost no areas for further development. There is evidence that market renewal proposals are (or will be) firmly embedded in strategic frameworks that have included wide-ranging community consultation. In most cases, there is a commitment to on-going delivery being overseen by community representatives. Where significant actions are proposed in particular neighbourhoods, there is evidence that the local communities are being involved in producing neighbourhood plans. Further development of proposals for directly involving local residents in the delivery of the market renewal programme is to be carried out.

Governance

- 207 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

- 208 The Partnership Board has clear Terms of Reference setting out its responsibilities. These are at the strategic level, ensuring that overall objectives are met, and that there is co-ordination within the Pathfinder, and between the Pathfinder and other agencies. The Board has nine members drawn from the two local authorities, NWDA, English Partnerships, Salford University, and the financial services and development sectors. It therefore has a good balance between the public and private sectors. The Partnership is not a legally constituted body, and has no formal powers, deriving its authority only from the commitments made by its members. It is a voluntary partnership between the partners represented on the Board, on the basis of Governance Arrangements agreed between the partners. Therefore, it is not the accountable body for the use of public funding, and is not itself a delivery agent. Each of the partners remains accountable for its actions in relation to the market renewal Partnership through its own governance arrangements. This means that the principal accountability to residents of the Pathfinder area is through Manchester and Salford City Councils, who are each either responsible for delivery of the programme in their respective administrative areas, or significantly involved in delivery.
- 209 Underneath the Partnership Board, a Core Management Team of senior local authority officers, primarily from Housing and Regeneration Departments will oversee the implementation of the Pathfinder programme, with the assistance of a Secretariat provided by Salford City Council. Investment proposals will be reviewed by the Core Management Team, recommending approval of Annual Investment Plans to the Partnership Board. Smaller individual projects will be considered by an Appraisal Panel before going to the Core Management Team for approval. Major projects receiving over £5 million of Market Renewal funding will be separately assessed by independent Technical Advisors before going to Core Management Team and Board. This seems to be a suitable mechanism that will ensure the right level of appraisal for projects of different sizes. The appraisal criteria are clear, and appropriate to ensure consistent and effective interventions. Delivery reports will be received from the four ADFs and monitored by the Core Management Team, who will have the power to move resources between ADFs as necessary.

- 210 Each ADF will be responsible for the delivery of its own programme, with accountability for delivery to the Pathfinder Core Management Team and Board. In two of the ADFs, Manchester City Council is the agent responsible for delivery of the ADF programme. However, in East Manchester, delivery teams will sit under the direction of the New East Manchester Urban Regeneration Company, working closely with Manchester City Council. In Central Salford, delivery teams will report to the Central Salford Initiative, a new body to be set up under the Salford Partnership (the Local Strategic Partnership). The Central Salford Initiative will then report to the Pathfinder Core Management Team and Board. These arrangements seem to be quite complex, with the potential for confusion of responsibility between the local authorities and the URC/Salford Partnership. It is also not clear how the reporting relationship to the Pathfinder will work in Central Salford where there is an intermediary between the ADF team and the Pathfinder. It is not clear what agreements have been signed between those parties that are formally constituted legal entities.
- 211 There are lines of accountability to the public in addition to the local authorities, through structures set up specifically to engage local people in overseeing programme delivery, such as neighbourhood steering groups. New East Manchester URC has its own structures for accountability to the public for the programmes that it delivers, and the Central Salford Initiative is likely to have similar structures. The Pathfinder will also have a central communications function that will provide information to the public and stakeholders on the Pathfinder programme.
- 212 The body accountable to ODPM for Market Renewal funding is Manchester City Council. It is not clear whether there are indemnity agreements in place between Manchester City Council and Salford City Council/Salford Partnership to transfer responsibility for delivery of the Salford Central ADF over which Manchester City Council has no direct or legal control (because the Pathfinder is a voluntary partnership).

Partnership

- 213 The two principal members of the Pathfinder are the two local authorities because of their role in administering the Core Management Team, and being either responsible for, or heavily involved in, delivery of the programme. In addition, they are the sole holders of a range of important statutory functions across the Pathfinder area, and deliver many of the mainstream services. The Pathfinder apparatus is owned by the local authorities, with all but the Board made up entirely of local authority staff, or advisors appointed by them. Therefore, the Pathfinder programme is reliant on the capacity and resource prioritisation within the two local authorities. It is critical that the two local authorities work closely together to achieve their common objectives, and it seems as if there is mutual co-operation. The allocation of investment between ADFs in the two local authority areas appears to have been achieved by consent, and with a strategic rationale.

- 214 Other partners appear to have been more secondary to the process of setting Pathfinder strategic priorities and have been engaged by the local authorities as consultees and delivery agents, although the strategy of the Pathfinder is itself embedded in widely agreed Community Plans and Strategic Regeneration Frameworks. Other agencies such as the Police and health service providers have been involved in these processes, but it is not clear how much of a role they have had in commenting on the Pathfinder's market renewal strategy.
- 215 Framework Contracts are being set up with RSL partners, and partnering agreements are to be signed with private developers, setting out clear responsibilities for actions. This will give clarity and certainty to encourage long term investment.
- 216 Voluntary organisations are also partners in achieving market renewal but it is not clear whether their potential roles in delivering market renewal objectives have been fully considered.
- 217 In summary, there are more strengths than areas for further development. Appropriate governance arrangements are in place, although there is the potential for confused responsibilities because of the complexity of some of the relationships. It is not clear what formal agreements have been entered into between parties to ensure legal accountability. There are structures in place to enable accountability to local residents.

Outcomes

- 218 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.
- 219 The Pathfinder presents a number of output targets which describe the direct results of investment from the Pathfinder programme. There are also a number of outcome indicators proposed which describe changes within the housing market that are strongly related to market renewal activity. Since the purpose of the programme is to instigate market renewal and future sustainability, these outcome measures are perhaps the most important indicators of whether or not the programme has been successful. The Pathfinder also sets out 'contextual indicators' which describe more general conditions within the Pathfinder that inform the programme but are not directly influenced by Pathfinder activity.
- 220 The prospectus leaves the outcome targets to be specified at a later date, but outcome forecasts have now been produced. These are helpful in showing the likely impact of the market renewal programme over the next 10 years, assuming continued funding and positive macro-economic conditions. The outcome measures relate to the proportion of empty properties, property values relative to Greater Manchester as a whole, the number of properties subject to low demand, the proportion of owner occupied properties, and resident satisfaction with Pathfinder neighbourhoods.

- 221 There are no outcome targets for the first three years' programme, so the likely impact of the first three years' programme on the housing market is not clear. It may be that the initial effect of the market renewal programme will be partly negative, with the destabilisation caused by major physical programmes, but this needs to be set out and understood by all stakeholders. One outcome target requires further definition. This is the number of homes subject to low demand, where a definition of low demand is to be agreed with ODPM.
- 222 As well as hard targets for changes in the housing market, the outcomes include a measure of Pathfinder resident satisfaction. This is an important and useful indicator, measuring people's confidence in their neighbourhoods which is critical to market renewal.
- 223 The Pathfinder has selected only a small number of outcome indicators, each with a strong link to the market renewal programme. This will prevent the Pathfinder from being over-burdened with data collection for monitoring purposes.
- 224 The Pathfinder presents its output targets for the first three years' programme, and then provides indicative 'primary output targets' for the 10 years from 2003 to 2013. This gives a useful indication of the proposed level of future activity.
- 225 The indicators relate quite closely to the Pathfinder's operational objectives, with at least one output or outcome measure linked to each operational objective. These are broken down into more detailed output targets, with a specific output target for many of the individual tools.
- 226 The key output of 'Homes subject to intervention by RSLs' is not carried forward to the summary, so it is unclear whether this will be monitored alongside the other nine key outputs.
- 227 The operational objectives relate to the Pathfinder's Strategic Objective 1, which is specific to the housing market. The Pathfinder also sets itself a Strategic Objective 2, to create a housing market which supports the improved economic and social infrastructure. Whilst the contextual indicators will monitor many of these social and economic indicators, there are no baseline assessments and no targets for improvement provided by the prospectus. Some social and economic factors are themselves key drivers of the housing market, such as crime and neighbourhood nuisance rates, and there are no targets shown by the Pathfinder for improvement. In these cases it is not clear whether appropriate targets, focused on the Pathfinder area, have been set by other agencies.

- 228 Output indicators will be measured quarterly by the ADF teams for consideration by the Pathfinder Core Management Team and Board. This should provide a good mechanism for identifying any problems with delivery of the programme. The outcome indicators which demonstrate whether the programme is being effective in achieving its overall objectives will in most cases be measured annually. The exception is resident satisfaction where a survey will be carried out every three years, although there is reference to Citizen's Panels, which would be helpful in obtaining more frequent information on changing perceptions. These proposals should be sufficient to understand progress, and represent a balance between the cost of obtaining information and its utility. Outcome indicators may change very little over short periods of time, so it would be inappropriate to monitor them much more frequently than proposed.
- 229 In summary, there are more areas for further development than strengths in measuring outputs and outcomes. The Pathfinder has developed a good structure for measuring its performance. However, no outcome targets are presented for the first three years' programme, and this is a significant gap. There are no targets for achieving non-housing objectives, although the Pathfinder may be able to agree suitable targets with other agencies.

Summary of theme strengths/areas for further development

Theme	Grade	Strengths	Areas for further development
Information base	B	<ul style="list-style-type: none"> The information base is comprehensive and offers detailed information from reliable and appropriate sources. Lessons are established from previous large scale regeneration initiatives to inform the development of the market renewal programme. 	<ul style="list-style-type: none"> Further evidence is required of market demand for the proposed new housing across the Pathfinder Area. There is little detailed analysis of the impact of regeneration initiatives in each area.
Impact of Adjacent Areas	C	<ul style="list-style-type: none"> The Pathfinder demonstrates an understanding of the broad population movements from inner areas of Manchester and Salford over time, and predictions for future growth in household numbers. 	<ul style="list-style-type: none"> There is no detailed analysis of migration patterns. There is no consideration of the planning policies of adjacent boroughs that may influence demand in the Pathfinder area.
Stakeholder involvement	B	<ul style="list-style-type: none"> The Pathfinder has produced proposals that are well integrated into existing strategies, including Community Plans. Delivery agents have been well engaged, with formal frameworks being developed. 	<ul style="list-style-type: none"> Whilst discussions with a range of stakeholders have taken place within a wider regeneration context, it is not clear how much discussion has taken place on the particular objectives of market renewal.
Drivers	C	<ul style="list-style-type: none"> A large number of drivers have been identified as being influential in causing market failure. 	<ul style="list-style-type: none"> There is no clear statement of which of the many influencing factors are the most important. It is not clear that the key drivers will be monitored over time.

Theme	Grade	Strengths	Areas for further development
Solutions	B	<ul style="list-style-type: none"> • Comprehensive and strategic investment, with an ambitious and transformational agenda. • The risk management frameworks identify most of the potential risks to the market renewal programme. • Good co-ordination between market renewal and other regeneration initiatives and mainstream services. 	<ul style="list-style-type: none"> • There are weak linkages between interventions and identified market drivers, so no clear statement of which interventions are critical to success and which are more peripheral.
Resources	B	<ul style="list-style-type: none"> • Good co-ordination of investment, with a wide variety of other funding sources supporting market renewal activity, and extensive complementary investment. • An appropriate process has been designed to ensure that future programmes and projects deliver value. • Expertise and capacity is in place to ensure that the Pathfinder programme is delivered effectively. 	<ul style="list-style-type: none"> • No financial model has been put forward to demonstrate how value for money was assessed for the overall proposals set out in the prospectus. • Some procurement mechanisms are still to be developed.

Theme	Grade	Strengths	Areas for further development
Community	A	<ul style="list-style-type: none"> Market renewal proposals are firmly embedded in strategic frameworks that have included wide-ranging community consultation. Where significant actions are proposed in particular neighbourhoods, local communities are being involved in producing neighbourhood plans. There is a commitment to on-going delivery being overseen by community representatives. 	<ul style="list-style-type: none"> There needs to be further development of proposals for involving local people and community groups in the delivery of some of the interventions.
Governance	B	<ul style="list-style-type: none"> Appropriate governance arrangements are in place that will enable the programme to be effectively controlled. There are structures in place to enable accountability to local residents. 	<ul style="list-style-type: none"> There is the potential for confused responsibilities because of the complexity of some of the relationships between delivery agents. It is not clear what formal agreements have been entered into between parties to ensure legal accountability.
Outcomes	C	<ul style="list-style-type: none"> A good structure is in place for measuring performance through outputs and outcomes. 	<ul style="list-style-type: none"> There are no outcome targets for the first three years' programme. There are no targets presented for achieving non-housing objectives.

Scoring key:

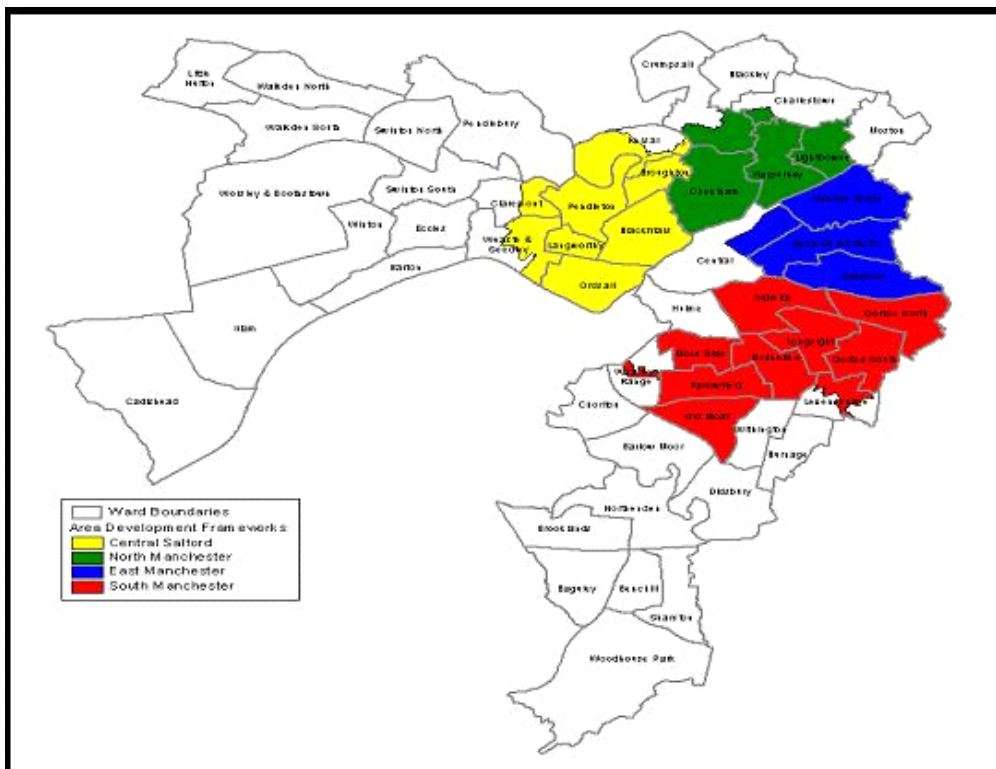
a – mainly strengths with almost no areas for further development

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



Appendix 2

List of Documents considered during the scrutiny process

- ◆ Prospectus for Manchester Salford
- ◆ Prospectus Summary
- ◆ Technical Appendix A
- ◆ Technical Appendix B
- ◆ Area Development Frameworks for Central Salford
 - North Manchester
 - East Manchester
 - South Manchester

Additionally the following documents provided source and background information

Hulme 10 Years on (GVA Grimley Study)

East Manchester Strategic Regeneration Framework

Manchester Employment Plan

Salford Employment Plan

Manchester Unitary Development Plan

Salford Unitary Development Plan

Salford City Council Unitary Development Plan – First Deposit Draft Replacement Plan

GVA Grimley Market Analysis Summary 2003

Isochrone Map

Experian Economic Analysis Study

Greater Manchester Local Transport plan

Greater Manchester Local Transport plan: Second Annual Progress Report

City Pride Economic Development Strategy

City of Salford Economic Development Strategy

Manchester Airport Annual Report

Manchester Knowledge Capital Prospectus

Draft Economic Strategy for East Manchester

Draft North Manchester Strategic Framework

Manchester Draft Waterways Strategy

AGMA Greater Manchester Strategy

Manchester City Council Community Strategy

Salford City Council Community Plan

Supplementary Planning Guidance for East Manchester

Manchester City Council Corporate Housing Strategy 2002

Salford City Council Housing Strategy

Manchester Neighbourhood Renewal Action Plan 2003/2004

Salford City Council Neighbourhood Renewal Strategy

Regional Economic Strategy Summary Action Plan

Productivity in the UK: 3-Regional Dimension

CURS Report: Changing Housing Markets and Urban Regeneration in the M62 Corridor

Salford City Council Strategic and Best Value Performance Plan

Chapel Street Implementation Plan

Salford New Deal for Communities Delivery Plan

Salford Crime and Disorder Reduction Strategy

Salford Quays Milestones Brochure

Salford Partnership SRB One: A Final Report

Salford City Council Quality of Life Survey

North West Regional Housing Strategy Statement

Salford City Council Housing Capital Programme

Salford City Council Education Development Plan

East Manchester Residents Survey

Additionally, the Pathfinder provided the scrutiny team with a number of written explanations to clarify certain points which arose during scrutiny.