



Transforming places; changing lives  
**A framework for regeneration**

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## Ministerial Foreword



For our country to prosper in an increasingly competitive world, we cannot afford for any area to fall behind. We cannot allow communities to be left out of rising levels of prosperity and success. And we cannot let anyone have their talents wasted because of a lack of skills, information or access to work. This means that we must redouble our efforts to regenerate those parts of our country which are still tackling the challenges of deprivation and worklessness and improve the effectiveness of our support to local areas.

The consultation proposals set out in this Regeneration Framework provide the way forward: by ensuring that all of the different agencies and organisations involved are pulling in the same direction to a common set of priorities; by tapping into local knowledge of what will work best; by getting local people and businesses involved from the start; by creating the conditions for business to invest and grow and encouraging new businesses – including social enterprises – to help get people into work; and by creating lasting change, so that each areas success will be self-sustaining. These changes will ensure that regeneration spending genuinely adds value, tackling inequality, ensuring everyone can contribute to, and share in economic prosperity and increasing the value-for-money of Government investment.

Four handwritten signatures are shown in a row, corresponding to the ministers in the portraits above. From left to right: Hazel Blears, John Hutton, James Spence, and Yvette Cooper.

# Executive Summary

This document sets out an **ambitious package of proposals** – for consultation – that aim to shape the way that regeneration is carried out in future in England. The new approach builds on what we know works and aims to improve the value-for-money of regeneration investment. It contains a **renewed focus on ensuring that regeneration tackles the underlying economic challenges to increase social mobility** and support people to reach their potential, regardless of where they live. Specifically, the measures proposed aim to:

- ensure that regeneration investment is **co-ordinated and prioritised** in the right places, with public; private; and third sector organisations working together in the same places towards a shared vision;
- **devolve power** – decisions about where to invest should be made as locally as possible, so this framework proposes an approach to prioritisation that starts with communities and their councils, and provides an approach, co-ordinated by Regional Development Agencies, to **align investment behind local and regional regeneration priorities** – making programmes fit places, not places fit programmes; and
- **focus regeneration investment on tackling the underlying economic challenges** that hold back deprived areas, in particular supporting people to get a job and get on in the labour market and boosting levels of enterprise in those areas.

**Chapter one** sets out **what we want to be different about regeneration in the future**. It talks about the nature of deprivation in England and considers what holds places back from reaching their potential. Over the past decade, we have made substantial progress, narrowing the gap between the most deprived neighbourhoods and the rest while conquering mass unemployment; tackling failing public services; and improving school standards. These improvements have reversed decades of decline and had important positive effects on people's satisfaction with and trust in local government and other local public bodies, and in their quality of life<sup>1</sup>.

But, we recognise that in some places they have been slower to bring about a significant reduction in the number of people without work, and deprivation is still intense in some areas. Government believes that, in future, regeneration investment should be more focused on tackling barriers to economic growth through reducing rates of worklessness and promoting

1 *New Deal for Communities 2001-2005: An Interim Evaluation*, CRESR, November 2005

enterprise – to **transform the lives of people in the most deprived areas**. We want to see regeneration **better targeted and co-ordinated, based on a shared strategy to improve a particular place**.

**Chapter two** argues that regeneration in the future needs to be defined by the **outcomes it achieves, rather than the process it follows**. This signals a move away from output measures towards the underlying sustainable outcomes that really matter for the long-term regeneration of communities. The framework sets out three **priority outcomes** – for consultation – which aim to ensure every area reaches its potential. Subject to this consultation, they will guide targets set for Government expenditure on regeneration in future. They are:

- improving **economic performance in deprived areas**;
- improving rates of **work and enterprise in deprived areas**; and
- creating sustainable places where people **want to live and can work, and businesses want to invest**.

**Chapter three** sets out proposals for a common approach to targeting regeneration investment. This approach fits within existing planning processes and can be used to ensure **central government investment is aligned with local and regional priorities**. It suggests four **criteria that can be used to identify priorities for regeneration investment**, and to determine the type of regeneration investment that is likely to be most effective. The criteria are: *the level of deprivation; the strength of the wider sub-regional economy; the economic and social characteristics of the area; and the dynamics of the area (whether it's getting better or worse)*. The Government is exploring how these criteria could be used to improve the value-for-money of targeted regeneration investment, prioritising investment, where it can deliver sustainable improvements in outcomes and contribute to economic prosperity.

**Chapter four** sets out proposals for how these changes might impact on the way different agencies work – if they were implemented in full. The chapter explains that Government expects these changes to **delegate decisions** currently taken at the centre to the regional and local level; to provide a process of regional prioritisation through regional maps; to put **communities and their councils at the heart of regeneration**; to develop a stronger sense of **common purpose** for regeneration across different agencies; and to improve the efficiency and effectiveness of regeneration investment, delivering maximum value for money for the taxpayer.

This is a **draft framework for consultation**. Annex A includes a series of consultation questions and sets out the arrangements for feeding in views. The consultation period ends on **31 October 2008**. The framework will be updated in the light of feedback and finalised early in 2009, and will be part of the process of preparing for the next spending review.

## Who is this framework aimed at?

This framework aims to develop a shared vision between community and **neighbourhood organisations; local government** and other members of the Local Strategic Partnership (LSP); **sub-regional partnerships; Regional Development Agencies** (RDAs<sup>2</sup>); the new **Homes and Communities Agency** (HCA); Urban Regeneration Companies (URCs); Urban Development Corporations (UDCs); as well as the private sector, the third sector and central Government departments (including their delivery agencies and non-departmental public bodies).

In particular, the framework sets out proposed new expectations of **local government; sub-regional partnerships; RDAs; the HCA; and central government**.

<sup>2</sup> Because of **London's unique governance arrangements**, this consultation primarily covers the role of RDAs other than the London Development Agency (LDA). However, we welcome responses from the LDA

# Chapter 1: Regeneration – what it is and why we should invest in it

## Chapter summary

This chapter sets out **what we want to be different about regeneration in future**. It talks about the nature of deprivation in England and considers what is holding back underperforming areas. Over the past decade, we have made substantial progress, narrowing the gap between underperforming areas, particularly deprived neighbourhoods, and the rest. However, targeted regeneration programmes have been **less successful in bringing about a significant reduction in the number of people without work** in some places and deprivation is still intense in some areas.

Government believes that, in future, regeneration should be more focused on tackling the underlying economic causes of decline, ensuring that every place can reach its potential – **transforming lives**, by tackling barriers to growth, reducing rates of worklessness, promoting enterprise, and giving people the skills to progress. We want to see regeneration **better targeted and co-ordinated, based on a shared strategy to improve deprived areas**.

These changes are aimed at improving the effectiveness of regeneration spending; tackling deprivation; increasing economic prosperity; and improving value-for-money.

## What is regeneration?

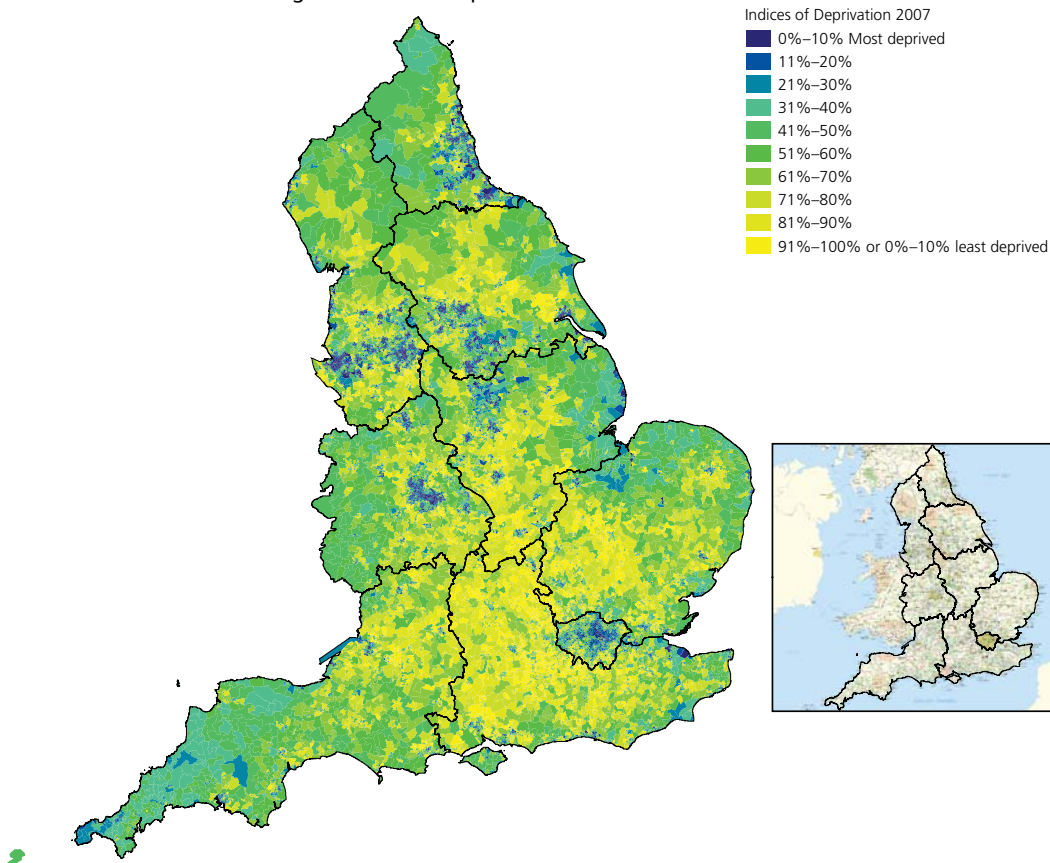
- 1.1 Regeneration is a term that means different things to different people, ranging from large scale activities that promote economic growth to neighbourhood interventions that improve quality of life. The Government's view is that regeneration is a set of activities that **reverse economic, social and physical decline** in areas where market forces will not do this without support from government<sup>3</sup>.
- 1.2 In doing so, regeneration should:
  - **secure long-term change**, by tackling barriers to growth and reducing worklessness – moving communities and individuals from *dependence to independence*;

<sup>3</sup> Our definition is taken from the *Review of sub-national economic development and regeneration*, HM Treasury, Department for Business, Enterprise & Regulatory Reform (BERR), and Communities and Local Government, July 2007



- **improve places** and make them more attractive to residents and investors, enabling new and existing businesses to prosper;
- **foster ambition and unlock potential** in the most deprived areas by breaking cycles of poverty; enabling **everyone in society** to gain more power in decisions made which affect them, and to take advantage of the economic opportunities that regeneration brings;
- supplement (not replace) and help to improve the flexibility and targeting of **mainstream government services** in underperforming areas;
- deliver **sustainable development** which contributes to people's satisfaction with where they live as well as wider Government goals; and
- open up opportunities to create more **equal communities**.

The English Indices of Deprivation 2007



Source: *Index of Multiple Deprivation, Communities and Local Government, 2007*

## How are regeneration and economic development related?

- 1.3 Regeneration and economic development have always been closely related and are often confused. We want to end that confusion. Not all activity that promotes economic development is regeneration – and evidence from the last 30 years shows that economic inclusion does not necessarily follow from wider economic growth<sup>4</sup>. By contrast, regeneration should also deliver increased **economic inclusion** – ensuring that economic development improves the lives of people in the most deprived areas.
- 1.4 **Regeneration is a sub-set of economic development.** Successful regeneration will be dependent upon improved economic performance<sup>5</sup>. But, the relationship is not one-way. The economic performance of rural areas, towns, cities, regions and even the nation can be held back or promoted by the extent to which all individuals have the opportunity to contribute.

## The scale of our ambition

- 1.5 We want a society where everyone is able to make the most of their potential. We want every place where poverty is concentrated to enjoy sustainable change, moving individuals and communities from *dependence* to *independence*. Delivering this ambition requires a clear **vision and commitment to transformation**, shared across public and private stakeholders.
- 1.6 In publishing this document, the Government is acknowledging the scale of this challenge and the need to provide a framework for **consistent, prioritisation and co-ordination of regeneration investment**. By setting out a clear set of regeneration priorities, Government intends to improve the co-ordination of wider public sector investment in deprived areas, **building confidence** and unlocking significant private sector investment.

4 Despite strong national and regional economic performance, and a narrowing of the gap in recent years, there is evidence that prior to 2001, geographical inequality between the most successful and the most deprived areas has grown over the last thirty years – both in terms of how local areas compare and how neighbourhoods compare. Disparities within regions remain greater than those between them. (Gregory, I et al (2001) *A century of inequality in England and Wales using standardised geographical units* Area (2001) 33.3 297-33.3)

5 *The Economies of Deprived Areas, Communities and Local Government* (2006); *Political devolution, regional governance and tackling deprivation*; JRF (2007)

## Social Mobility

The Government recently announced a package of new initiatives to help families and end child poverty as part of a renewed drive to increase social mobility. The new measures aim to **put some of the poorest children on the path to success**, delivering prosperity and fairness for hard-working families that play by the rules and **break cycles of poverty** once and for all. The measures will build on already successful initiatives – such as offering new services in children’s centres as well as testing new approaches to improving families’ incomes. They include:

- a new **Child Development Grant** of around £200 for low income parents with children under the age of five in 10 local authorities from early 2009;
- an expansion of the current In-Work Credit pilots to provide financial incentives for both **parents to move into work** as well as providing tailored work-related support including help in children’s centres in Preston and Newham for parents to better understand and claim tax credits – to support families with everyday costs and childcare costs;
- £7.6m for **30 Children’s Centres** across 10 local authorities to offer enhanced work-focused services, helping parents with training and work experience to boost their confidence, skills and support them to enter and progress in work;
- extending the **London Childcare Affordability** pilots and find new ways of making childcare more affordable for these families so that parents can enter work;
- incentives to help parents in London, in particular mums, to overcome constraints to returning to work, for example by helping them to **overcome the high childcare and transport costs** which act as particular barriers in the capital;
- **improved supported accommodation for teenage mothers** by providing additional services to improve the health and development of their children, improve their parenting skills and support them with learning; and
- at least £20m available through grants to local authorities to develop **new and innovative approaches to tackle the causes and consequences of child poverty**. The pilot areas will include remote rural areas, as well as pockets of deprivation in otherwise affluent areas and under-performing inner city communities.

- 1.7 The new framework is expected to improve the prioritisation and co-ordination of regeneration investment – helping to focus targeted investment to support economic prosperity and deliver long-term change in deprived areas. The change in approach is expected to improve the efficiency and effectiveness of regeneration investment, helping to meet the Government’s ambition of improving value-for-money as part of the Public Value Programme announced in the Budget earlier this year.

## What do we want to be different?

- 1.8 Over the past decade, we have made substantial progress, narrowing the gap between the most deprived neighbourhoods and the rest. In measures of crime, liveability, health and education outcomes, while conquering mass unemployment and youth unemployment; tackling failing public services; and improving school standards. But there is **more to do to reduce the number of people out of work and tackle entrenched concentrations of poverty in some places.**

### Why do some places underperform?

Areas can get left behind for a range of reasons, with economic restructuring a primary cause. Industrial areas of the north and midlands still show relatively lower levels of GVA and higher levels of deprivation.

A primary constraint areas in transition face is adapting local infrastructure and skills to provide for – and stimulate – new opportunities. In many areas, local transport, housing, and skills are developed to suit particular industries that are no longer applicable. Regeneration has to play a part in enabling places to find a new role.

A shortage of appropriate jobs can lead to an exodus of the most qualified and skilled workers, leaving those with the fewest skills behind. This “sorting effect”, reinforced through social housing patterns, can lead to the concentrations of workless, low skilled and vulnerable people and localised cultures of low aspiration. This can then manifest itself in a cycle of decline, with degradation of the physical environment; overstretch of public services, higher levels of crime, and poor education and health outcomes. These themes are explored further in Annex B.

- 1.9 Government believes that, in future, regeneration should be **focused on tackling underlying economic challenges** and supporting people in the most deprived areas to access new opportunities so that investment is more effectively targeted and that no area is left behind.

## Regeneration contributes to wider government priorities

Successful regeneration will strengthen the economy and improve lives, particularly those living in the most deprived areas. It lays the foundations for flourishing, empowered communities, contributing to the Government's objectives for sustainable development. It will also help to deliver national public service agreement targets<sup>6</sup>, to:

- raise the **productivity** of the UK economy;
- improve the **economic performance** of all English regions<sup>7</sup> and reduce the gap in economic growth rates between regions;
- improve the **skills** of the population, on the way to ensuring a world-class skills base by 2020;
- promote world class **science and innovation** in the UK;
- deliver **reliable and efficient transport** networks that support economic growth;
- deliver the conditions for **business success** in the UK;
- maximise **employment** opportunity for all;
- halve the number of **children in poverty** by 2010-11, on the way to eradicating child poverty by 2020;
- raise the **educational achievement** of all children and young people and narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers;
- improve the **health and wellbeing** of children and young people;
- improve children and young people's **safety**;
- increase the number of children and young people on the **path to success**;
- address **the disadvantage that individuals experience** because of their gender, race, disability, age, sexual orientation, religion or belief;
- increase the proportion of **socially excluded adults** in settled accommodation and employment, education or training;

<sup>6</sup> Public Service Agreements 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 25, 27, 28 – consult [http://www.hm-treasury.gov.uk/pbr\\_csr/psa/pbr\\_csr07\\_psaindex.cfm](http://www.hm-treasury.gov.uk/pbr_csr/psa/pbr_csr07_psaindex.cfm)

<sup>7</sup> Regeneration is largely a devolved matter; this framework is for England (although we would welcome views from those engaged in regeneration in Wales, Scotland, and Northern Ireland)

- **tackle poverty** and promote greater independence and well-being in later life;
- promote world class commissioning of health and care services to **achieve better health**, well-being and care for all;
- increase long term **housing supply and affordability**;
- build more **cohesive, empowered and active communities**;
- make **communities safer**;
- deliver a successful Olympic Games and Paralympic Games with a sustainable legacy and get more children and young people taking part in high quality PE and sport;
- reduce the harm caused by **Alcohol and Drugs**;
- lead the global effort to avoid dangerous climate change; and
- secure a healthy **natural environment** for today and the future.

## Why should government invest in regeneration?

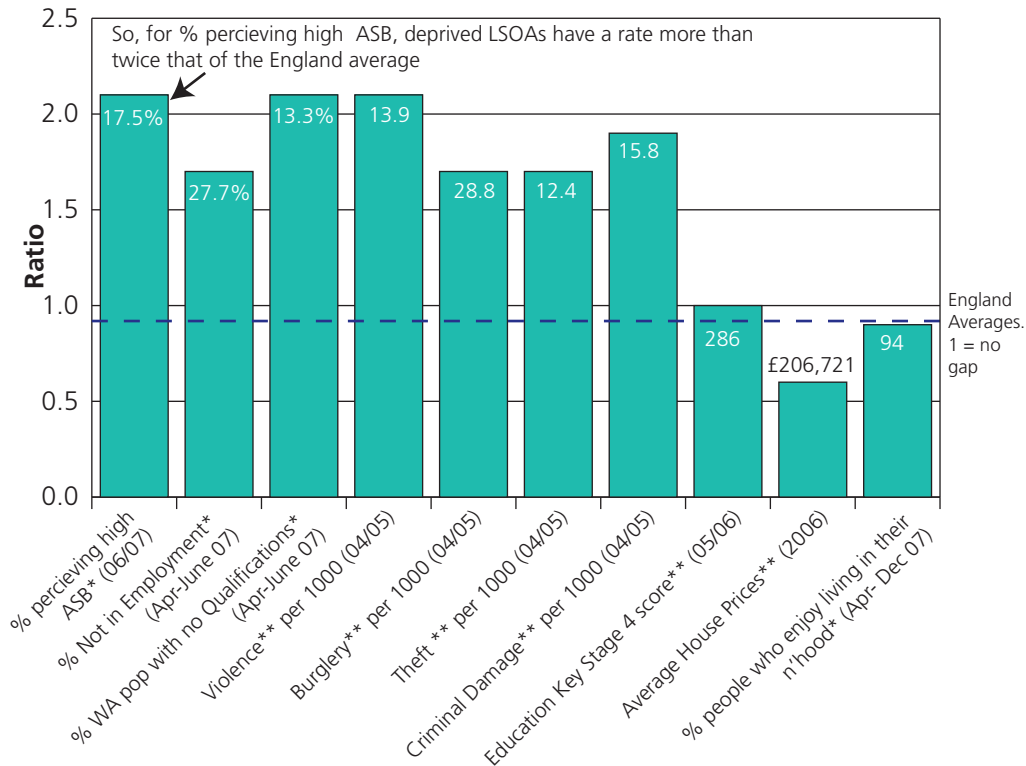
1.10 There are strong social and economic arguments for government investment in regeneration, targeted at particular locations, these are summarised below and explained in more detail at **Annex C**. The Government believes that regeneration should be aimed at improving both equity and efficiency, delivering economic growth that delivers improvements in deprived areas.

### Equity

1.11 Decades of de-industrialisation and economic restructuring adversely affected millions of people. Consistent, targeted investment over the past ten years has had a significant impact on outcomes for all, particularly those living in more deprived areas. But, as the graph below shows, there is more to do to **extend opportunity** and raise aspirations in some communities. Often the most effective way to close the gap in outcomes is through mainstream services, which tend to distribute resources according to need. However, where there are local barriers to growth, successful regeneration can help to tackle disparities by **transforming deprived areas and improving the lives of those – often the poorest in society – living in and around them**.

## Gaps between the most deprived neighbourhoods and the National average

Key Gaps for the Most Deprived Neighbourhoods; Ratio of outcomes for the most deprived 10% of LSOAs compared to the England average.



\*10% most deprived according to IMD2007  
 \*\*10% most deprived according to IMD2004

Source: British Crime Survey, Home Office; Labour Force Survey, Office for National Statistics; Citizenship Survey, CLG; Indices of Multiple Deprivation 2004 and 2007, CLG. All other analyses from data provided by Social Disadvantage Research Centre for the National Strategy for Neighbourhood Renewal Evaluation

## Efficiency

1.12 The government's overall economic objectives are to raise the rate of sustainable growth and achieve rising prosperity and a **better quality of life**, with employment and enterprise **opportunities for all**. To achieve this goal, it is essential that every region and locality perform at its full potential. But in some areas, place based factors hold back economic growth and markets alone cannot always tackle them. This weaker economic performance can lead to social and economic inequality, reflected in concentrations of deprivation.



- 1.13 Barriers that prevent markets from working effectively and reduce the scope for private investment, can lead to poor outcomes – and will vary from place-to-place<sup>8</sup>. By tackling these barriers, public sector investment in regeneration can provide the **enabling conditions to reduce** risks for private investors, for example, by assembling land for re-development, by making places feel safe and by ensuring that local services are delivering high standards in health and education. Indeed, regeneration is successful when residents and institutional investors are attracted into but also make **long-term commitments** to an area.
- 1.14 Well targeted investment in regeneration can help develop a more diversified economic base and the local infrastructure (both physical infrastructure but also community capacity) to enable economic potential to be unlocked and then sustained, to cope with short term economic shocks as well as reverse long term cycles of deprivation.

### Costs to the taxpayer

- 1.15 Over **a fifth of people claiming Incapacity Benefit or Job Seekers Allowance live in the most deprived areas** in England. Effective regeneration could help to significantly reduce the estimated £5.8bn<sup>9</sup> we spend each year **subsidising rather than transforming** the lives of residents. This figure does not include the increased dependency of these areas on other public services, including housing;<sup>10</sup> policing;<sup>11</sup> and health services,<sup>12</sup> or the physical costs of vandalism and higher levels of capital depreciation in such areas.

### Why not just tackle these things through mainstream services like schools?

- 1.16 **Improving mainstream services will often be the right response** to deprivation. For example, in some cases, the transformation of schools (through Building Schools for the Future and Primary Capital programmes) not only improves education results but can catalyse the regeneration of an area through improving the confidence of the community. But sometimes mainstream services alone are insufficient to make transformational change. Where there are particular place-based barriers to change, targeted investment can help to tackle poverty and multiple disadvantage.

8 Barriers can be categorised as externalities (where there are spillover effects that people or firms do not take into account), public goods (goods that have benefits that firms are unable to profit from), or information failures (where people or firms are unaware of true costs or benefits of an activity)

9 Using Freud Calculations and DWP WACG data May 2007

10 Ends and Means: The future roles of social housing in England, CASE report 34, February 2007

11 *Crime and Economic Incentives*, IFS, 2000 (Meghir and Machin)

12 *Improving the Prospects of People Living in Areas of Multiple Deprivation in England*, Strategy Unit, 2005



## Education-led regeneration

**Newdale Community Campus** serves a deprived area of Telford, incorporating a primary school, children's centre and a community centre.

The community centre is used for a wide range of leisure activities and family services including sessions run by the Citizens' Advice Bureau, health visitor's 'Baby Cafe' sessions, the police and the local job centre. The school has run breakfast, after school and holiday clubs from day one. Childcare is available from 7.45am to 6pm all year round. A 'Dad's Club' meets on Saturday mornings.

The children's centre and school have close and effective governance arrangements. The children's centre is accountable to a 'Sure Start Board' which is attended by the head teacher of the school. The Sure Start manager for the centre is co-opted onto the school's governing board and the chair of the governors is the chair of the Sure Start board. Budgets and other information are actively shared with resources pooled on several appointments.

The Department for Children, Schools and Families' (DCSF) new **National Challenge** programme will empower more of the best head teachers to help turn around schools which are 'stuck' in patterns of low attainment; create new trusts and federations based on successful schools; and, in the most deprived areas; drive forward a faster expansion of the Academies programme. National Challenge is a national strategy for all schools to learn from each other and so to help all pupils progress to the best of their abilities. Coupled with the long term investment in school buildings through Building Schools for the Future, education can provide a powerful way of re-energising and re-engaging communities and driving regeneration of an area.

Similarly, **Higher Education** institutions can drive regeneration through improving skills and attracting expertise and investment that can transform the local economy. In a recent consultation document published by the Department for Innovation, Universities and Skills (DIUS)<sup>13</sup> we encouraged local communities to bid for funding for a higher education centre or university campus to drive economic regeneration through creating a highly skilled workforce and stimulating entrepreneurship.

1.17 There are a number of reasons<sup>14</sup> for intervening through area-based initiatives, which can be summarised as:

- **area effects** – concentrations of poverty tend to create further disadvantage such as:
  - low aspirations and cultural expectations; lack of knowledge of job opportunities;
  - stigmatisation of residents from certain postcodes;
  - burden on local service provision; and
  - low demand for private sector services.<sup>15</sup>
- **targeting** – where deprivation is highly concentrated, it is possible to more efficiently meet needs than it is for people who are geographically highly dispersed;
- **effective delivery** – Delivery at very local level enables better tailoring of services to meet specific needs; and
- **co-ordination** – Regeneration requires co-ordination across a range of policy areas – joining up is easier at defined and small geographic levels.

1.18 Every area is different – and will require a response that fits local circumstances<sup>16</sup>. That's why the Government has introduced local and multi-area agreements (LAAs and MAAs) – which aim to develop an agreed set of priorities across local and national government. These agreements are based on a sophisticated understanding – not just of local outcomes – but of their drivers. This framework builds on that approach, offering more local flexibility, to create programmes that fit places rather than expecting places to fit programmes.

14 Improving the Prospects of People Living in Areas of Multiple Deprivation in England, Strategy Unit, 2005

15 Social Exclusion Unit (2004) *Breaking the Cycle*, para 5.11, Working Paper 99; Berube, A 2005 *Mixed communities in England: A US perspective on Evidence and Policy Prospects*, York, JRF; *Jobs and Enterprise in Deprived Areas*. SEU 2005

16 McGregor, A. and McConnachie (1995) 'Social exclusion, urban regeneration and economic reintegration', *Urban Studies*, vol.32, no.10, pp.1587-1600; MacLennan, D. (2000) *Changing Places, Engaging People*, Joseph Rowntree Foundation, York: York Publishing Services

## Why do we need a regeneration framework now?

- 1.19 Over the past decade, significant investment in regeneration has delivered improvements in outcomes for those who live in the most deprived areas – and helped narrow the gap between the most deprived areas and the rest. However, **the time is right to shift our emphasis on to tackling the economic challenges** that hold back deprived areas. To ensure sustained improvements in housing, crime reduction and educational attainment, we need to tackle the underlying economic challenges.
- 1.20 The review of sub-national economic development and regeneration (SNR)<sup>17</sup> recognised the potential role for targeted regeneration in improving outcomes in deprived areas. But also highlighted risks of competing priorities and poor co-ordination – and echoed concerns over a lack of emphasis on economic outcomes. To overcome these risks, the SNR recommended a more consistent framework to help improve prioritisation and co-ordination – and to tighten the focus of investment on barriers to economic growth and economic inclusion.
- 1.21 A new approach is particularly timely because the way regeneration is planned, delivered, and managed is changing. The new **Local Performance Framework** has a clear focus on regeneration, with greater flexibility to deliver against outcomes, and strong sub-regional partnerships are emerging, through MAAs.
- 1.22 Nationally, the new **Homes and Communities Agency** is bringing together English Partnerships and the Housing Corporation – along with other Communities and Local Government funding streams – to improve the effectiveness and efficiency of housing and regeneration investment.

<sup>17</sup> *Review of sub-national economic development and regeneration*, HM Treasury, BERR, and CLG, July 2007

### **The Homes and Communities Agency**

The Homes and Communities Agency (HCA) is being set up to improve the effectiveness of Government investment in housing and regeneration. The HCA will contribute to delivery of Government's objectives for housing supply, secure the delivery of new affordable homes and help meet objectives for regeneration as well as contributing to the achievement of sustainable development.

The new, single organisation will enable local authorities to engage in a single conversation across a range of issues concerning housing and regeneration programmes. The Agency will have a duty to co-operate, and will include local area agreements (LAA and MAA) targets in business planning and resource allocation. We expect the Agency's programmes to be developed by working closely with sub national delivery partners, for example RDAs and local authorities, in line with regional and local priorities, which will include measures and development necessary to support economic renewal.<sup>18</sup>

### **Regional development agencies**

The RDAs provide a framework for the delivery of the Government's national economic regeneration and development policy priorities at the regional level. They are under a duty to cooperate to agree LAA targets. The statutory purposes of the RDAs can be summarised as driving the sustainable improvement of the national economy through increasing performance and competitiveness and reducing economic disparities within and between regions.

Since 2002, the RDAs have created (or safeguarded) over 590,000 jobs, created or assisted 420,000 businesses to improve and brought over 5,600 hectares of brownfield land to life.

RDAs are responsible for Regional Economic Strategies (RES), which provide the overarching framework for sustainable economic regeneration and development in the regions.

<sup>18</sup> Consult *Delivering Housing and Regeneration: Communities England and the future of social housing regulation*, Communities and Local Government, June 2007

- 1.23 **Finally, the scale of the regeneration challenge is increasing** due to the demands faced by communities as a result of demographic and socio-economic change, changing patterns of comparative advantage, and increasing pressures on our natural resources and global climate. A new approach is needed that enables every community to contribute to, and benefit from, rising prosperity.<sup>19</sup> These trends are explored further in Annex D.

### Credit Crunch

The Credit Crunch and ensuing economic conditions present a particular challenge for regeneration. The tightening of the credit market, uncertainty in the housing market and slower economic growth are all going to have impacts on the challenges facing deprived areas and the potential for achieving the transformative change through regeneration.

In the short-term there are likely to be instances where current and planned regeneration projects slow down as a result of current economic conditions. It is less clear what the longer-term impact may be and whether these effects are cyclical or structural. Understanding this will be crucial in shaping regeneration policy and so in recognition of this, Communities and Local Government have commissioned a Study by Professor Michael Parkinson on “The Impact of the Credit Crunch on Regeneration”, which will run in parallel to the consultation on this framework.

## Building on success.

- 1.24 Over the past decade, government investment in regeneration has built a strong partnership between communities, the public and the private sector which is delivering real improvements in outcomes for the most deprived in society.

<sup>19</sup> Annex D sets out some of these trends in more detail

### Past approaches

For much of the second half of the 20th century, regeneration policy concentrated on addressing concentrated problems in parts of towns and cities. Immediately post-war, emphasis was on housing renewal, within cities and through the development of New Towns. By the mid-1960s, there was a growing emphasis on the regeneration of those parts of towns and cities and their communities that were in decline. In the 1960s and 1970s, it had a strong public sector partnership focus, for example through the Urban Programme and Inner Area Partnerships. In the 1980s, the role of the private sector was brought out in new partnership arrangements. In the 1990s, a range of local initiatives built on this approach, through the Single Regeneration Budget.

The Urban White Paper, published in 2000 set out Government's plans for supporting urban renaissance, building on Lord Roger's Urban Task Force report, which recommended that urban policies needed to improve people's prosperity and quality of life – not just address the physical environment.

Soon after, Government published the National Strategy for Neighbourhood Renewal (2001) to focus on deprived neighbourhoods – to ensure that within 10 to 20 years no one would be seriously disadvantaged by where they live. It was based on a holistic approach, covering physical environment, public services and partnership working. It provided focus for mainstream funding and dedicated resources in New Deal for Communities and Neighbourhood Renewal Fund. The ambitions of the National Strategy remain embedded within Government's Public Service Agreements and Departmental Strategic Objectives.

In 2003, this approach was strengthened by the Sustainable Communities Plan, which set out a long-term programme for urban and rural areas, launching the Housing Market Renewal Pathfinders, which aimed to tackle low demand and improve the quality of our public spaces.<sup>20</sup>

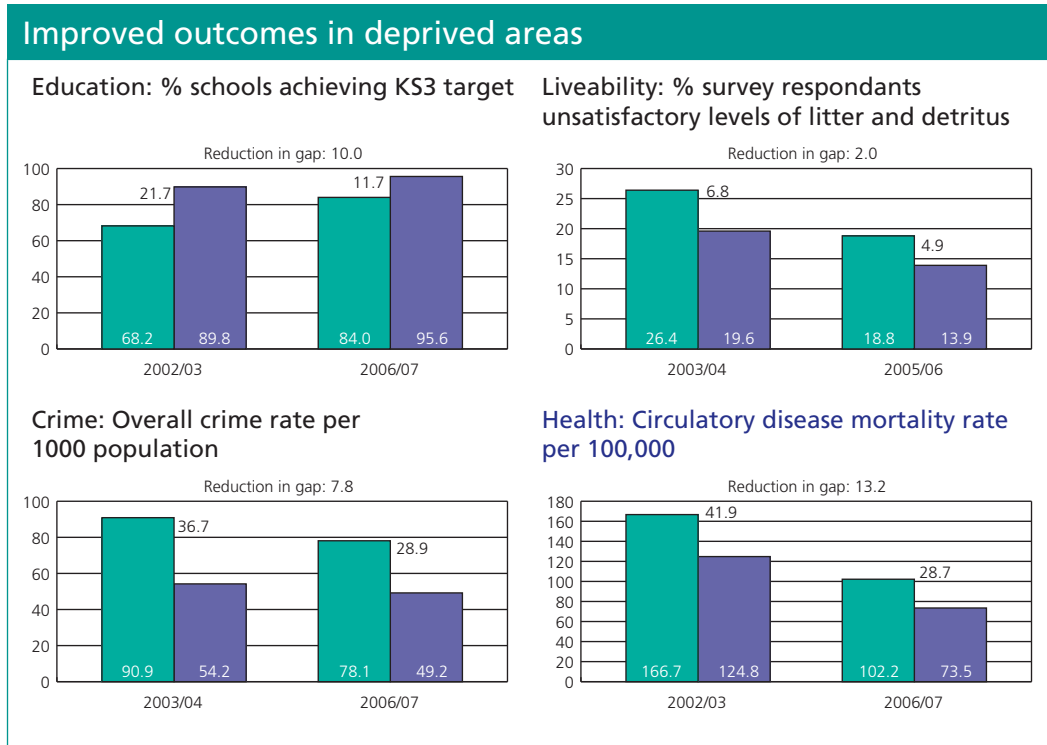
- 1.25 Many of our regions, cities and towns and rural areas are now more economically competitive than they were a decade ago. Between 2003 and 2005 the poorer performing regions narrowed the gap in growth rates with London, the South East and East of England.<sup>21</sup> In cities, **around 1.4m extra jobs** were created between 1997 and 2005, maintaining the continued importance that cities have in driving economic performance.<sup>22</sup>
- 1.26 Over the last ten years, the Government has made significant investment in neighbourhood renewal. Between 2001 and 2006, the Neighbourhood Renewal Fund provided £1.87bn for England's 88 most

20 The dynamics of 'place-shaping': The changing rationale for urban regeneration, Paul Hildreth, *Journal of Urban Regeneration and Renewal* Vol. 1, 3, (2007)

21 *Review of sub-national economic development and regeneration*, HM Treasury, BERR and CLG, July 2007

22 *State of the Cities Database*

deprived local authorities.<sup>23</sup> This massive investment had positive effects: in deprived areas, reducing the **gap with the national average in crime, liveability, health, and education outcomes as shown in the chart below.**



Source: DCSF; BVpi 199a; Home Office, British Crime Survey.

- 1.27 Private investors and local authorities – often with support from the Housing Corporation and English Partnerships – have transformed many estates, towns and cities across England breathing new life into stagnant economies. Since 1997 English Partnerships has attracted over £5.5bn of private sector investment into regeneration. Over the same period, Registered Social Landlords working with the Housing Corporation have harnessed over £39bn of private investment in social housing. At the same time, the performance of most local authorities has measurably improved.
- 1.28 We also know that regeneration is more sustainable when it puts citizens in the driving seat. We have strengthened opportunities for local people to shape local decisions and take matters into their own hands, and will continue to do so through the proposals in the 2006 Local Government White Paper *Strong and Prosperous Communities* and *Communities in control: real people, real power*, published earlier this month.

### Communities in control: real people, real power

The Government is committed to giving people more control over their lives. *Communities in control: real people, real power* published on 9 July 2008, promises shift of power to citizens to give people real control over local decisions and services.

The white paper starts from the perspective of a citizen, not the system, and is structured around the ways in which citizens may wish to be engaged in society and the political process. It seeks to accelerate the process of providing better quality opportunities for people to get involved in things that matter to them.

The white paper sets out how we will support people in being active in their communities, how people will have more access to information, how we will help people to have an influence, challenge and seek redress, how people will be supported in standing for office and how local people will be able to run services themselves.

Putting people at the heart of decision making is particularly important in regeneration, where an empowered community can drive forward and sustain regeneration over the longer term, with real benefits for residents.

## More to do

- 1.29 Despite this good progress, there are still **too many places marred by concentrations of worklessness**<sup>24</sup> and while the gap in outcomes between the poorest places and the rest has been closing, **patterns of concentrated deprivation have remained largely the same**.<sup>25</sup>

<sup>24</sup> Worklessness is a less familiar term than unemployment to describe those without work. People use it because common definitions of unemployment miss out important groups of people who are not working but who would like to.

<sup>25</sup> IMD analysis (unpublished)



### Concentrations of worklessness – the causes

A Communities and Local Government study\* found evidence in deprived areas of **reduced expectations and aspirations of employment** and an acceptance of 'getting by' via benefits and unpaid and paid informal work.

Concentrations of deprivation contributed further to the barriers of entry to formal employment. Factors here included the **lack of social networks** to find jobs particularly via informal networks; a lack of contact with the world of work leading to the poor development of **interview and work skills**; and a lack of mobility which **limited the search radius for work**.

Other barriers reflected practical problems including **high transport costs** in relation to low wages and an absence in some places of good, reliable and affordable public transport.

**Area stigmatisation and discrimination** was routinely reported, although analysis as to whether this translates into active postcode discrimination has not been carried out.

- 1.30 **The Government therefore believes that regeneration needs to be more tightly focused on tackling the underlying economic challenges** that cause concentrations of worklessness. It should tackle the place-specific **economic** barriers that prevent markets working effectively; enabling households, businesses, entrepreneurs, private developers and investors in deprived areas to adapt to new challenges and opportunities as they arise.

\* See footnote 24.

- 1.31 Work provides an opportunity for **social and economic mobility** – particularly for the most disadvantaged in society, for whom it can be an important first step on the road to independence – and evidence shows that those in employment are happier,<sup>26</sup> healthier,<sup>27</sup> and are less likely to get involved in crime<sup>28</sup>.

### Working Neighbourhoods Fund

We have taken a major step towards supporting people in the most deprived areas into work through the Working Neighbourhoods Fund (WNF). The £1.5bn fund has been allocated, as part of the area-based grant, to those local authority areas which the evidence indicates face particularly significant challenges as a result of high numbers of people without work and low levels of skills and enterprise.

WNF is paid as part of area-based grant, a non-ringfenced general grant. Therefore eligible areas have the flexibility to use the totality of their area-based grant alongside other spending in innovative ways to tackle local priorities, including via social enterprises and working with the third sector.

Local authorities are being encouraged to involve local people in decisions about tackling worklessness. This could include deciding which targets to adopt as well as decisions about how the money should be spent, through mechanisms such as participatory budgeting.<sup>29</sup>

We recognise that for some areas the road to developing talent and skills and promoting employment and enterprise will be challenging. We therefore want to reward progress. That's why we have set aside £50m to reward those communities that make progress in turning around long-term unemployment and in increasing the level of skills and enterprise. The reward will be paid on successful achievement of agreed milestones up to 2009–10.

- 1.32 Reducing rates of worklessness and promoting enterprise is not just important in its own right. It can provide a cornerstone for regeneration, bringing new money into the local economy, creating a greater sense of ambition for everyone who lives there. This can lay the foundations for flourishing, empowered communities.

26 *Life Satisfaction: the state of knowledge and implications for government*, Strategy Unit, December 2002

27 *Is work good for your health and well-being?* Gordon Waddell and A Kim Burton, 2006

28 *Crime and Economic Incentives*, IFS, 2000 (Meghir and Machin)

29 Participatory budgeting (PB) involves engaging local people in decisions about how sections of local public budgets are allocated and invested

## Worklessness

In England the current employment rate is 75 per cent. Nearly 25 million people are in work; the highest number since comparable records began in 1971. The term 'worklessness' describes the remaining 25.2 per cent of working age people in England. Of those 1.4 million are unemployed – that is they are not currently in work but are looking for, or are capable of work. The remaining 6.5 million people are 'economically inactive' – neither working nor looking for work. Of this group around 2.7 million people are claiming Incapacity Benefit.<sup>30</sup>

- 1.33 It may sound simple to say that regeneration should help to support people into work, but we know that the challenge is enormous. Residents of the most deprived areas can face multiple barriers to work. Many have been isolated from the mainstream labour market for a very long time, and may face personal barriers such as caring responsibilities; physical or mental health conditions; family breakdown; or a history of offending or victimisation.
- 1.34 Skills and qualifications are also low. Sixty five per cent of the working age population in England is qualified to at least level two (5 GCSEs A\*-C or equivalent), but less than half of those living in the areas in receipt of the Working Neighbourhoods Fund are qualified to that level.
- 1.35 Many of those who are furthest from the labour market will require help from a range of agencies – so co-ordination is key to helping them, for example, offering tailored support to help people to build realistic aspirations and move towards actively seeking employment. That involves providing a range of support services that can help people overcome the personal barriers that they face to getting in to work and equip them with the appropriate skills to enable them to compete for opportunities.

### Tackling worklessness review

Cllr Stephen Houghton, Leader of Barnsley Metropolitan Borough Council chairs a review team that was set up in June 2008 to:

- examine how local authorities and their partners are using the Working Neighbourhoods Fund to tackle worklessness within their worst performing neighbourhoods;
- identify what more central Government departments can do to support local partners to deliver better employment and skills services for their residents and employers;
- consider how the private sector, social enterprises and third sector groups, and the Regional Development Agencies can help local partners to improve employment;
- identify an evidence basis to demonstrate the additionality of a multi-agency approach to worklessness; and
- consider the role of enterprise in delivering employment outcomes and whether partnerships have successfully co-ordinated supply and demand side interventions.

The review has been established to run alongside the consultation on this framework. The review team would welcome contributions, which should be sent to:

Worklessness Review Team  
c/o Regeneration Strategy Division  
Department for Communities and Local Government  
3/G10 Eland House  
Bressenden Place  
London  
SW1E 5DU

- 1.36 DWP will shortly be publishing a new **Welfare Reform green paper**, which will explore options to reform the welfare system – to improve the support offered to get people back in to work, while requiring them to look for and take work if they are able.
- 1.37 Local communities are normally best placed to identify the barriers that make it hard for residents to access jobs and progress in their careers. They won't all be the same – different barriers will require different responses in different places. For example, in some areas, residents may identify poor transport links as excluding them from nearby economic opportunities. In others, integrated housing and employment services may be needed to deliver real benefits.

### Case study: Cornwall Works

The 'Cornwall Works' model is a multi-agency, client-centred overarching strategy to take those furthest from the labour market from 'welfare to the workforce'. With the related aims of getting more people *into* work, helping them *stay* in work and helping them *progress* in work, the strategy is based on four key principles:

- **prevention:** working with clients with multiple issues and seeking early interventions, the strategy seeks ways of identifying and tackling the factors that push people into long-term worklessness;
- **inclusion:** by using a variety of agencies to tackle non-work issues (like health, debt, confidence) the strategy aims to remove all barriers to inclusion in employment;
- individual and **community-based approaches:** the route to any potential claimant can be through any of the partner agencies, but there is an important role for the Voluntary and Community Sector (VCS) in building and maintaining support; and
- **joined up services** and funding: by establishing a single core brand (which includes for example all the providers supported by the European Social Fund) the partners are confident the strategy will outlive and single individual funding stream.

So far the Cornwall Works approach has led to:

- an increase of 2.1 per cent in the employment rate for people with disabilities;
- 800 very long-term IB customers engaged, 21 per cent into jobs with a 97 per cent sustainability rate; and
- An increase of 2.7 per cent in the 50+ employment rate.

## Why Housing Matters

- 1.38 There is a strong geographic correlation between areas of concentrated deprivation and areas of **concentrated social housing**. Since 1991, the proportion of the social housing stock located in the more deprived neighbourhoods has risen and the proportion in the less deprived neighbourhoods has fallen<sup>31</sup>. **Now, in the 10 per cent most deprived areas, 51 per cent of households are social tenants compared to 16 per cent elsewhere. And in social housing over half of working age households are now workless, up from 34 per cent in 1981**<sup>32</sup>.
- 1.39 Concentrations of social housing that reflect past rather than present patterns of economic activity can reinforce physical and social isolation from economic activity for disadvantaged groups. And the most deprived areas can have poor access to services and employment opportunities.
- 1.40 So it makes sense that **housing and regeneration activities are planned, led and delivered jointly**. That is why the Homes and Communities Agency is being set up to bring delivery of housing and regeneration activities together. Leadership of the housing issues in an area will continue to rest with local authorities. However, the HCA will support local authorities in meeting their housing and regeneration objectives in their local area – to maximise the contribution that housing can make to place-shaping.
- 1.41 These regeneration strategies should:
- **empower tenants and residents** to get involved in the decisions about the future of housing estates through appraising options for change;
  - be based on a clear needs assessment of what the community needs to **be sustainable in the future**, including economic viability and opportunities; and
  - be consistent with the **wider economic strategy** for the area, considering in particular their impact on worklessness.
- 1.42 New housing supply will be a part of regeneration activities – it is important that our new homes are provided in the right place and are supported by the right infrastructure to be economically and environmentally sustainable, providing benefits to both existing and new communities. Last year's Housing Green Paper "Homes for the future: more affordable, more sustainable" set out proposals to tackle the problem of housing affordability, with a target to increase housing supply in England to 240,000 additional homes a year by 2016. Plans

31 Hills, J. (2007), *Ends and Means: The Future Roles of Social Housing in England*

32 Labour Force Survey, 2007

for housing in Regional Spatial strategies are already under review. This means that every region is likely to see an increased supply of new homes.

- 1.43 It will be important for regional and local planning bodies to ensure that the opportunities for regeneration that new housing supply provides, together with the need to balance the requirements of areas of higher and lower demand, are taken fully into account in future housing strategies. The local authority strategic housing role should put regeneration at the heart of place-shaping.
- 1.44 Delivering social sustainability in a rural context will require a strategic approach to housing development in smaller settlements and villages to meet local need. This should build on the commitment set out in PPS3 to “high quality housing that contributes to the creation and maintenance of sustainable rural communities in market towns and villages”; bearing in mind the Government’s target for completions of new affordable homes in rural settlements of 3,000 and under.

### **Investment in existing stock**

We are committed to improving our existing homes and estates as well as building new communities. In 1997 there was a £19bn backlog of repairs and 2.2 million social homes below basic decency standards. Since then we have delivered sustained investment and long-term commitment to transform the legacy of neglect. The Government set a target to make all social housing decent by 2010, which has galvanised improvement of the social housing stock. But increasingly improvement is being delivered through regeneration projects, helping to transform areas of concentrated deprivation through excellence in redesign, planning and long-term stewardship. In the future, the HCA will take over central government’s role in this area, working with local authorities. By co-ordinating this work with its other regeneration activities the HCA will be able to ensure best value for money.

## **Can, and should, social housing do more to help and support tenants into work?**

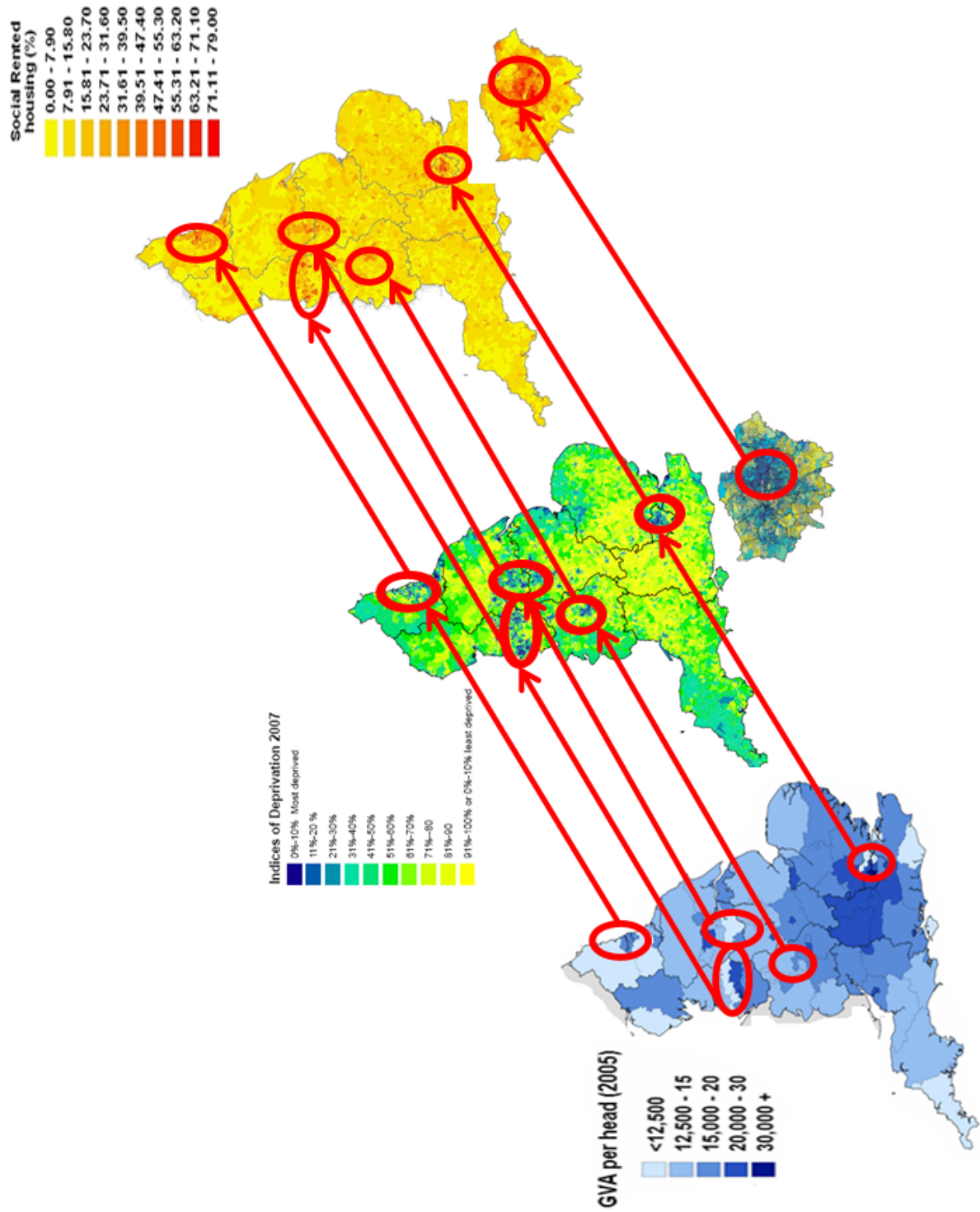
- 1.45 As highlighted by John Hills in his recent review of the social housing sector, even after controlling for the existence of labour market disadvantages, rates of worklessness are still higher amongst social sector tenants than those in other tenures. The gap between tenures could reflect hidden characteristics, such as severity of disadvantage, but is unlikely to be entirely attributable to this.
- 1.46 Social landlords represent some of the biggest third sector organisations, and are potentially in an excellent position to work with their tenants to help address the issues and barriers that prevent them

from working. This is because they have access to their tenants in a way that is not always true of other services, and generally have good relationships with their tenants. Many housing associations, local authorities and Arms-Length Management Organisations (ALMOs) are already working effectively to help their tenants into work. The Housing Corporation has established a category in its Gold Awards for “tackling worklessness”. This year’s winners included Accent Group, who, in the last two years, have taken 1,000 trainees through their Youth Build project, with 83 per cent achieving qualifications. Derwent & Solway Housing Association’s local construction project has provided training for 173 people and helped 48 find jobs. The Places for People Group has helped 5,987 people access worklessness services with 1,277 being placed into work.

- 1.47 The Government is working with the homelessness sector through the £80m Places of Change Programme, which is transforming hostels and homelessness services from places of last resort into centres of excellence which positively change lives. This is already achieving very promising results in supporting former rough sleepers to develop their skills and find employment and demonstrates what can be done in promoting work for one of the most vulnerable groups in society.
- 1.48 These examples represent just a sample of the good work that is already happening. Recent Housing Corporation research identified over 300 enterprise and employment projects involving registered social landlords and the Chartered Institute of Housing are currently putting together a good practice guide showing how social landlords and local authorities across the country can help tenants into employment.
- 1.49 Social housing will always have a strong role in supporting the most vulnerable, but there are also many who are currently unemployed who could find work with the right training and support. With childcare, in-work credits, transitional grants, and personal advisers, there is more help available than ever before. It is right to consider whether we can offer social housing tenants a package of incentives and opportunities to encourage them into work. It is also right to consider what the responsibilities of tenants who receive those opportunities should be.
- 1.50 We have set up two stakeholder groups to begin to explore the complex issues around support, incentives and obligations to help get tenants into work. And we will bring forward a housing reform green paper towards the end of this year to address this question, amongst others, in more detail. We are encouraging the housing sector, tenants and the wider public to contribute to the debate through an e-forum hosted by the Chartered Institute of Housing at <http://housingreform.cih.co.uk>.



Areas within a weak economic sub-region correlate with areas of concentrated deprivation and social housing



### Supporting vulnerable groups through housing

To access employment and training it is important to have a stable home. The Supporting People programme, launched in 2003, funds local authorities to commission housing related support services to help vulnerable people maintain or improve their ability to live independently in their homes and their communities. It is a key platform on which social inclusion is built and supports around 1 million people at any one time.

Data shows that, for example, 60 per cent of the individuals who required support to participate in training and education were successfully supported to do so, and 30 per cent of individuals who required support to obtain paid work were successfully supported to do so.

## Recognising diversity

- 1.51 We know that **minority communities and those registering a disability are still over-represented in deprived areas.**
- 1.52 A recent report<sup>33</sup> from the Equality and Human Rights Commission suggests that people from ethnic minorities have not always benefited from regeneration investment or been fully engaged in the regeneration process. Bangladeshi and Pakistani people are the most likely to live in deprived areas, making up four times as high a proportion of the population in the most deprived local areas as they do for England as a whole. For the black African and black Caribbean groups, this figure is approximately two and a half times as high.<sup>34</sup>
- 1.53 Similarly, residents registering a disability are also over-represented in deprived areas. According to Labour Force Survey statistics, 32.2 per cent of the resident population in deprived areas are registered disabled compared to a national average of 24.4 per cent.<sup>35</sup>
- 1.54 Regeneration therefore needs to be developed with a sensitive understanding of the demographic make up of the local population, and be informed by resident consultation. This theme is considered further in chapter three – how and where to target regeneration.

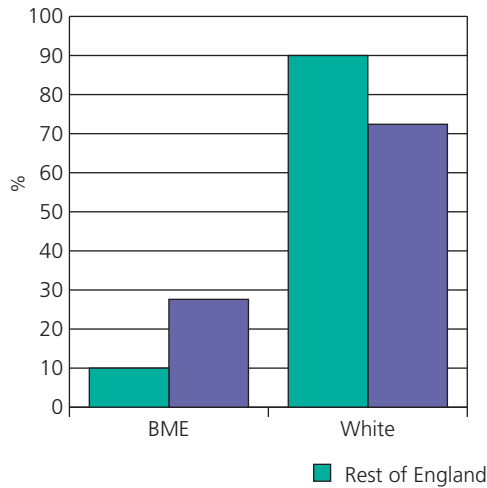
33 *Regeneration and the Race Equality Duty*, CRE, September 2007

34 *Deprivation and Ethnicity in England: A Regional Perspective* Regional Trends 39: 2006 edition

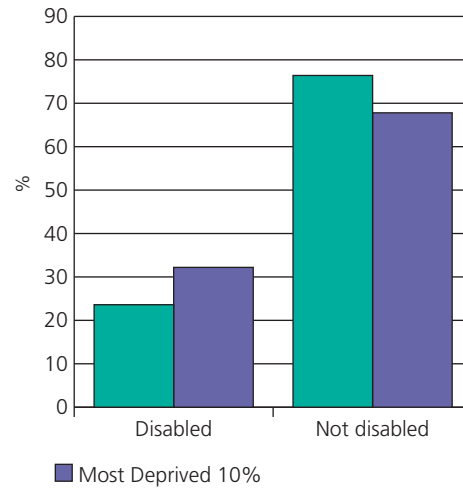
35 Labour Force Survey Spring 2007; Equality Groups in deprived areas (IMD2007 most deprived 10%)

## Diversity in the most deprived 10% of LSOAs compared to the rest of England

Ethnicity in the most deprived 10% of neighbourhoods compared to the rest of England



Disability in the most deprived 10% of neighbourhoods compared to the rest of England



Source: Labour force survey, Spring 2007; and index of multiple deprivation 2007 (most deprived 10% of LFOAs)

### Consultation questions

We are interested in your views on the analysis in this chapter. Details of how to feed your views in are at annex A. In particular, we are interested to hear your views on the following questions:

- **Is this analysis right?**
- **What further analysis is needed to ensure the needs of different demographic groups (by age, sex, minority ethnic grouping, and whether or not disabled) are properly reflected in our regeneration priorities?**

# Chapter 2: What should regeneration deliver?

## Chapter summary

This chapter argues that regeneration in the future needs to be more tightly focused on **improving economic outcomes in deprived areas**. It sets out three **priority outcomes** which, subject to the outcomes of this consultation, will guide targets set for the Government expenditure on regeneration in future. They are:

- improving **economic performance** in deprived areas;
- improving rates of **work and enterprise in deprived areas**; and
- creating sustainable places where people **want to live and can work, and businesses want to invest**.

We are clear that a tighter focus on economic outcomes does not mean that all regeneration activity should be focused on reducing worklessness. However, in future, regeneration will need to be aligned with economic activities that strengthen the wider economy, to create places where people want to live and help residents into jobs.

## Introduction

- 2.1 Regeneration will be more successful if people living in a deprived community as well as those working in the public, private, and third sectors all own a **shared vision of the future of the community** and agree on how and where to invest in order to transform the area.

### What is regeneration investment?

Regeneration often involves public sector funds, but is only successful when private investors – including owner occupiers – make a strong commitment to an area. Many different types of government investment are designed to attract private investment to contribute to regeneration. Between 2007 and 2011, the Government will invest over £13bn in programmes that contribute heavily to regeneration<sup>36</sup> through English Partnerships; the Housing Corporation; the Regional Development Agencies; and local government (via the area-based grant). In particular:

- **housing** (for example through Decent Homes and Housing Market Renewal Pathfinders);
- **EU** (through the European Regional Development Fund and European Structural Funds);
- area-based grant to **local authorities** (for example through working neighbourhoods fund and the local enterprise growth initiative); and
- **area-specific** funding streams (for example, New Deal for Communities, English Partnerships, regional development agencies, the Thames Gateway, and Coalfields).

This investment is considerable and demonstrates our long term commitment to transforming the lives and the neighbourhoods of the most deprived in society. But it **represents a small proportion of the public sector investment in deprived areas**, through mainstream service provision and new capital and infrastructure investment (like schools and hospitals).

- 2.2 This framework aims to bring together the different elements of regeneration funding, recognising their different contributions but providing a shared focus on tackling underlying economic challenges.

### New success criteria

- 2.3 We propose three **priority outcomes** for regeneration, designed to tackle the underlying causes of deprivation and ensure that areas can contribute to and share in rising economic prosperity. Subject to the outcomes of this consultation, they will guide targets set for targeted Government expenditure on regeneration in future. These are:
- improving **economic performance in deprived areas**
  - improving rates of **work and enterprise in deprived areas**
  - creating sustainable places where people **want to live and can work, and businesses want to invest**

<sup>36</sup> Many of these funds are single pots which – while contributing to regeneration – also have wider aims

### Measuring progress – consultation questions

It will be important that we measure performance against these outcomes consistently – at a national, regional, sub-regional, local, and neighbourhood level. The National Indicator Set already includes priority indicators for regeneration that could be used to measure these outcomes – and many are measurable below the district level to enable more accurate targeting of the most deprived neighbourhoods. We know that deprivation is most intense at neighbourhood level (as measured by Lower Super Output Area Statistics). It will therefore be important to target and measure improvements in outcomes at LSOA level.

These indicators are:

- percentage change in average weekly earnings in Primary Urban Areas<sup>37</sup>;
- percentage change in the employment rate in Primary Urban Areas<sup>38</sup>;
- overall employment rate (working age) at neighbourhood level (in deprived areas);<sup>39</sup>
- working age population qualified to at least Level 2 or higher or deprived areas<sup>40</sup>;
- new business registration rate in deprived areas<sup>41</sup>;
- overall general satisfaction with the local area (in deprived areas)<sup>42</sup>;
- performance against key social exclusion indicators to increase the number of vulnerable adults in employment in deprived areas<sup>43</sup>; and
- performance against key indicators on crime<sup>44</sup>, anti-social behaviour<sup>45</sup>, health<sup>46</sup> and education<sup>47</sup> within deprived areas.

### Are these the right measures?

**Should we measure the scale and rate of private investment to deprived areas, and how could we do so?**

37 As measured at local level by National Indicator 166 in Primary Urban Areas

38 As measured at local level by National Indicator 151 in Primary Urban Areas

39 As measured at local level by National Indicator 153

40 As measured at local level by National Indicator 163

41 As measured at local level by National Indicator 5 at LSOA level

42 As measured at local level by National Indicator 171

43 As measured at local level by National Indicators 144, 146, 148 and 150

44 As measured at local level by National Indicators 15 and 16

45 As measured at local level by National Indicator 17

46 As measured at local level by National Indicator 120

47 As measured at local level by National Indicator 74

## What does a focus on outcomes mean in practical terms?

- 2.4 This framework signals a shift in emphasis from output towards outcome targets – allowing agencies at different tiers the flexibility to address local priorities. Regeneration success should **no longer be measured by outputs** (i.e. brownfield land remediated, floorspace created, etc) **but by the outcomes that it will deliver for communities, with a priority focus on improving economic outcomes**. This does not mean that a range of activities should not still take place but their success should be measured by the extent to which they deliver improved outcomes for people in the poorest places.

### Regeneration through private investment – the urban regeneration companies

Currently 20 urban regeneration companies (URCs) are operating in England. Each is a partnership between a local authority, the RDA and English Partnerships; they are private companies with the majority of board members and the chair from the private sector. The three public sector partners meet annual operating costs.

The prime role of each URC is to develop area-wide regeneration programmes by attracting private developers and investors. Since the start of the programme in 1999, the URCs have attracted some £3.3bn of private investment with £1.7bn of public investment.

### HullForward

Led by one of the world's leading developers ING Real Estate, St Stephen's is one of the biggest regeneration projects happening today in the UK. St Stephen's opened on schedule in September 2007 and has transformed the city centre, creating a new, 24 hour, vibrant community at its heart and most importantly, is creating 2,500 new jobs for Hull. This is one of the largest city centre developments in the UK, comprising 50 shops, plus a 24-hour superstore. Having welcomed its millionth customer just six weeks after opening, the success of St Stephen's is still going strong with a cinema adding to the scheme's entertainment offer as well as a new 120-bed hotel, a new restaurant and Music Centre. Further cafes and restaurants will be added over the coming months along with a new home for the acclaimed Hull Truck Theatre, due for completion in 2008.

St Stephen's is the first shopping centre in the country to work with The Prince's Trust and a cross section of retailers to offer disadvantaged young people the chance to participate in a new jobs scheme – 'Get into Retail', which offers a mixture of practical skills and experience for unemployed 16- to 25-year-olds. The project has been supported by regional development agency Yorkshire Forward and could become a national model for The Prince's Trust in working with other retail centres across the country.

## Linking economic and social outcomes

- 2.5 **Improved economic performance and more people in jobs are necessary, but not sufficient success criteria to transform the poorest places.** Success in regeneration will also require that improvements in economic outcomes translate to real improvements in the lives of residents of deprived areas, like concerns about **anti-social behaviour, cohesion, and the physical characteristics** of an area. That's why this framework includes a focus on creating sustainable places where people want to live and work as a success measure.
- 2.6 Survey returns<sup>48</sup> have shown that areas with high levels of deprivation on average fall 10 percentage points or more below the national average in terms of satisfaction with their local area. We know that satisfaction is highest in areas where people agree they can influence decisions affecting their local area and where communities are given the opportunity to have more control over the local services which impact on their day-to-day quality of life.
- 2.7 Research on predictors of community cohesion<sup>49</sup> has also shown that deprivation – both at the individual and the community level – consistently undermines cohesion, while a sense of empowerment (feeling able to influence local decisions) supports it and increases a sense of belonging.

48 from the Best Value (BVPI) User Satisfaction Survey 2006-7

49 *Predictors of community cohesion: multi-level modelling of the 2005 Citizenship Survey* (see [www.communities.gov.uk/publications/communities/predictorscohesionsummary](http://www.communities.gov.uk/publications/communities/predictorscohesionsummary))



## Ways2work

Ways 2 Work was set up in 2002 to help address high levels of unemployment and economic inactivity and low levels of household income and educational attainment in the Doncaster Central New Deal for Communities (NDC) area.

This innovative job brokerage project offers advice, support, information and training – tailored to the specific needs of its clients – to help people move from benefit dependency into work. In so doing, it also seeks to create a labour pool for employers in the NDC and surrounding areas and more than 300 employers have used the service.

The project's success centres on its committed team of staff who have built up the confidence of residents and developed very good relationships with local businesses and training providers. Ways 2 Work has worked with over 2,300 residents, offering a very personal approach, asking about aspirations: "What would you like to do?" rather than "We can offer you..." Once in employment, the project continues to provide ongoing support and advice, so if a person leaves, is laid off or wants to change direction, the service is there to offer help.

Another key factor is the NDC Training Bursaries, that Ways 2 Work deliver. These provide customised training to fit a job opportunity and link to an unrivalled network of training provider partners (Ways 2 Work won *Reed In Partnership's* 'partner of the year' for 2007) that can be brought together to offer the 'best-fit' solution to employer and client requirements. For many of the project's clients, this has also meant gaining new skills, enabling them to plan for a career, rather than simply accepting work that is 'just a job'.

The project has helped over 1,000 NDC residents into work, which represents about 10 per cent of the area's residents. However, there is a high population churn and people who gain work often leave the area. Even so, the project has contributed to a 5.6 per cents point reduction in worklessness in the NDC area, between 2002-07, a far higher fall than the borough or England.

- 2.8 We aim to ensure that the contributions of local partners, particularly where it relates to **improvements to the physical environment, are linked to wider economic improvements that reduce worklessness** and support those living in the most deprived areas to progress in the labour market. So, for example, in an area with high worklessness, housing-led regeneration will need to support a wider strategy for how worklessness is going to be tackled in the area.
- 2.9 **The third sector, and in particular social enterprises**, have a key role to play in improving outcomes in deprived areas, particularly in linking activities that tackle economic and social outcomes – and it's important that their experience and expertise is not overlooked or crowded out by the statutory agencies. Social enterprises are businesses with primarily social or environmental objectives, principally

reinvesting surpluses in the business or local community. Nearly 30 per cent of all social enterprises are located in the 20 per cent most deprived areas so there is an obvious talent base on which to build.<sup>50</sup>

- 2.10 The Government is committed to supporting the third sector and creating conditions where social enterprises can thrive. Through empowering local communities to make a difference through effective delivery of locally-based solutions, the third sector can strengthen communities, transform public services and create opportunity and enterprise.
- 2.11 Self-employment and enterprise (including social enterprise) may also be an attractive route into economic activity. One of the aims of the Government's business support simplification programme is to make it easier for disadvantaged people to access the intensive support they need to start a business. As part of the simplification programme, the Government is currently working with Regional Development Agencies to develop a new service aimed at those in the poorest areas who need advice and support before deciding whether to set up a business.

### **Transforming communities through enterprise**

The Make Your Mark campaign is pioneering a new approach to transform communities through enterprise. Local enterprise campaign hubs have been set up in five areas with low enterprise activity and high deprivation – Liverpool, Wakefield, Tees Valley, Coventry and Lowestoft. Each hub is developed with by small team working with partners to develop a strategic network and catalyse enterprise activity across the locality. Rather than focus on delivery, the initiative works with existing stakeholders to raise local aspirations and pioneer ideas that connect with difference audiences, add value to stakeholder activities and ensure these are joined-up. Partners include local authorities, chambers, businesses, schools, FE and HE institutions, connexions services, regional development agencies.

Despite the small teams, limited funding and the short time available to achieve impact, the Make Your Mark hubs catalysed 14 per cent all UK activity during Enterprise Week 08: of the 5,270 enterprise events that took place nationally, 738 took place in five hub catchment areas. Building on these successes, the hubs are currently being rolled at regional level. Local enterprise campaigns are also being pioneered successful in Plymouth, Hull, Rotherham, Tynedale and Croydon.

## Should all regeneration investment be in deprived areas?

- 2.12 No. Often, outcomes for deprived areas will depend on infrastructure investment that improves the strength of the wider economy, helping to create employment opportunities in the wider sub-region.  
**Developing employment hubs that can be accessible to – though not necessarily in – deprived areas can be an important element of successful regeneration.** For example, creating new retail opportunities in town centres can benefit the poorest in society if specific attention is paid to how to support those from poor neighbourhoods to compete for the new jobs created.
- 2.13 Understanding the appropriate spatial level for investment is crucial.<sup>51</sup> Decisions should consider understanding how these decisions will influence, and depend on, the wider sub-regional economy.
- 2.14 The evaluation of the coalfields reinforces the importance of this approach, concluding that a significant factor in the relative rates of regeneration for coalfield areas was accessibility to adjacent areas of employment growth.<sup>52</sup>

## Regeneration and environmental change

- 2.15 In everything it does, the Government recognises the need to contribute to the global effort to avoid dangerous climate change. The realities of climate change mean that action is needed across all policy areas to maintain prosperity and improve environmental care. Regeneration strategies are no different. They will need to be part of a low-carbon future, and flexible enough to adapt to change<sup>53</sup>.
- 2.16 These powerful drivers of change will affect different places in different ways as each adapts to play a different role in the global economy, and will increase the need for regeneration to be responsive to the unique challenges and opportunities faced by local areas as they arise. Cities, towns and communities will be affected in different ways according to their indigenous assets, including biodiversity, and will need to be flexible to identify opportunities for growth that are unique to their area.
- 2.17 Some deprived or disadvantaged areas are disproportionately affected by environmental impacts and risks. This can have a positive or negative influence on attracting investment and supporting local economic activity. For example, activity to remediate contaminated land may be an essential pre-requisite for creating the conditions for economic development in the area. And it is essential that investments supported by regeneration programmes do not lead to deterioration in the local environment.

51 CLG Economics Paper 2: *Why place matters and the implications for the role of central, regional and local government*, CLG, 2008

52 *Regenerating the English Coalfields – interim evaluation of the coalfield regeneration programmes, Communities and Local Government, 2007*

53 "Long term opportunities and challenges for the UK: analysis for the 2007 Comprehensive Spending Review", HM Treasury, November 2006

- 2.18 Regeneration also needs to take account of possible future environmental change. Improvements to the physical environment should be planned and designed to avoid or mitigate future risks which might arise from climate change. Our national planning policies for planning for climate change sets out the approach which should be taken. Our national planning policy on development and flood risk sets out the approach which should be taken when flooding may be an issue.
- 2.19 Where a significant risk is identified, local and regional strategies should be adaptive to risks and seek to identify the benefits of change; and consider innovative ways of delivering regeneration in at-risk areas.

### Consultation questions

We are interested in your views on the proposals in this chapter. Details of how to feed your views in are at annex A. In particular, we are interested to hear your views on the following questions:

- **Are the outcome measures proposed helpful? Will they ensure regeneration benefits the poorest people and places in society?**
- **Have we proposed the right measures?**
- **Should we measure the scale and rate of private investment in deprived areas, and how could we do so?**
- **What can central Government do to give communities a stronger voice in shaping regeneration? How can other agencies help?**
- **What else can we do to ensure regeneration is responsive to environmental change?**
- **How can we further strengthen sub-regional partnerships to deliver regeneration outcomes?**

## WHAT WILL BE DIFFERENT?

*This box summarises the changes we could expect to see if all of the proposals in this chapter were implemented.*

In future, regeneration programmes will be expected to work together to contribute to the priority regeneration outcomes:

- improving **economic performance in deprived areas**
- improving rates of **work and enterprise in deprived areas**
- creating sustainable places where people **want to live and can work, and businesses want to invest**

# Chapter 3: How and where to target regeneration investment

## Chapter summary

This chapter sets out proposals for a common approach to targeting regeneration investment. It explains how these approaches can fit within existing planning processes and be used to ensure **central government investment is aligned with local and regional priorities**, using proposed new regional priorities maps.

It suggests four **criteria that can be used to prioritise regeneration investment**, and to determine the type of investment that is likely to be most effective, based on an understanding of the need in those areas and the opportunities that exist to transform their economies. The Government is exploring how the criteria could be used to improve the value-for-money of targeted investment. The criteria are: *the level of deprivation; the strength of the wider sub-regional economy; the economic and social characteristics of the area; and the dynamics of the area (whether it's getting better or worse).*

## Introduction

- 3.1 This section builds on existing good practice and evaluation evidence to suggest a transparent approach to targeting regeneration activity. This should help partners at different spatial levels to understand and agree regeneration priorities and develop joint approaches that reflect the need and opportunity for targeted investment.
- 3.2 The Government believes that decisions on where and how to prioritise regeneration intervention should consider the opportunities for delivering long-term change in deprived areas. In some areas, mainstream funding will be more appropriate response than targeted regeneration investment. In others, targeted funding can be extremely effective in transforming residents' life chances.

## Who decides how and where to target?

- 3.3 In line with the Local Government White Paper – *Strong and Prosperous Communities* – and the SNR, this framework puts **local authorities at the heart** of delivery of regeneration, identifying local

regeneration priorities and negotiating delivery arrangements with local; regional; and national partners.

- 3.4 But we recognise that all regeneration investment decisions need to both inform and be informed by investment decisions and perspectives at different spatial levels – local; sub-regional; regional; or national. It is therefore vital that partners at each of these spatial levels take a consistent approach to targeting economic and regeneration investment.

### Local targeting

- 3.5 Local authorities are well-placed to understand the scale, nature and causes of deprivation in their area. The Government recently consulted on a new **economic assessment duty** for local authorities. It would require upper tier and unitary authorities – in consultation with local businesses and investors – to carry out an assessment of the strengths and weaknesses of their local economy. This provides a useful starting point for understanding regeneration challenges in the local area.
- 3.6 The results of this assessment can be fed into the **Sustainable Community Strategies and Local Development Frameworks** that local government produce. These are produced in consultation with a very wide range of local stakeholders including local people, parish councils, the third sector, private investors and developers. Taken together, these forward plans for communities identify the regeneration challenges – and specify the locations and approaches proposed. Where appropriate, local authorities will want to work together, in **city region or sub-regional partnerships** to identify the main regeneration challenges facing their areas. They can and should try to make use of community-led plans such as parish plans and market town health checks.
- 3.7 Regeneration is more sustainable when it puts citizens in the driving seat and local government is often best placed to make that happen. **Community driven** regeneration can provide peer support and peer pressure to deliver improvements in the outcomes that matter most to the residents. Neighbourhoods need to be able to take ownership of activities in their neighbourhood, and have incentives to participate in shaping the future of their community in partnership with the local authority. This means **fewer 'one size fits all' national programmes**, and greater devolution of spending decisions – for example through participatory budgeting.

### **Participatory budgeting**

Participatory budgeting could help improve participants' skills and confidence for their own development, especially important in deprived communities, by:

- improving people's understanding of how public budgets are set, and raise their financial skills;
- helping skills and confidence in team working with diverse people, understanding community issues and community development;
- improving residents' skills in project development, presentation, deliberation and listening; and those involved in designing the process can learn about event organising, communication and review and evaluation of results; and
- raising residents' understanding of the councillor's role.

### **Newcastle U-Decide:**

One of the Newcastle projects involves young people from across the city in developing prioritising and delivering projects. The project has:

- encouraged a small group of young people from across the city, the "Wikkid Planners" who worked with a council officer to design the process;
- allocated £125,000 from Neighbourhood Renewal Fund (stronger safer communities fund) over two years from 2006–2007;
- worked with youth groups across the city, who were given materials to make a creative display about their project and asked to make a short presentation to others bidding for money; and
- held four events, involving 2,500 children and young people.

Newcastle is planning to mainstream participatory budgeting from April 2008, and to develop a five year plan.



- 3.8 This approach fits well with **LAAs** which set out shared local priorities for each local authority area. We expect partners to use these agreements as the key mechanism to track progress on regeneration.
- 3.9 Equally, the approach fits with the emerging **MAAs**, which focus on how to improve economic prosperity and redouble regeneration efforts in sub-regions across the country. They are a particularly important tool given that they operate beyond the geographic boundaries of the local authority and cover a functioning economic area. MAA partnerships have been working closely with the LSC, JobCentre Plus, RDAs and the HCA, as well as government departments, to agree robust and ambitious proposals.
- 3.10 The first MAAs, in Greater Manchester, Tees Valley, Leeds City Region, South Yorkshire, Urban South Hampshire and Tyne and Wear, and Bournemouth, Poole and Dorset were signed by partnerships and Government on 14 July 2008. They set stretching aspirations, for example, Leeds City Region will focus on reducing congestion across the sub-region, currently acting as a barrier to economic growth, and will work with DfT and the Highways Agency to develop a cross-model 10-15 year transport strategy to improve connectivity and enhance the economic competitiveness of the city-region.

### The new local performance framework

The approach in this framework has been designed to be consistent with the measures set out in the Local Government White Paper. Several of its proposals are relevant in this context. It:

- proposed a new approach to local partnerships giving **local authorities more opportunity to lead their area**, work with other services and better meet the public's needs;
- set out the important contribution of our **cities and sub-regions** to the economic health of our communities by offering greater power to cities and city-regions matched by stronger governance and accountability;
- put in place a more streamlined and **proportionate performance regime** which committed the Government to a radical simplification of the existing system and a **massive reduction in the number of targets** for local partners (the indicators proposed in this framework are drawn from that reduced number of targets);
- strengthened local **leadership**; and
- gave more **power to citizens** and communities to have a bigger say in the services they receive and the places where they live.

In particular the move to a more streamlined, outcome-focused approach set out here is reflected in the new local performance framework, and LAAs, with a reduced reporting burden on local authorities, simplified central funding and a move away from a "Whitehall knows best" philosophy and reduced bureaucracy. Through MAAs as well, we are already seeing a stronger focus on tackling the complex and inter-linked barriers to regeneration and economic prosperity across real economic areas, reflected in the ambitious outcomes being negotiated.

- 3.11 However, it is important that effective links are made between strategies and actions operating at different spatial levels – through to the neighbourhood – to ensure a shared direction of travel, consistency of effort, and efficient use of resources. For example, investment at the neighbourhood level by an NDC or neighbourhood management scheme, or efforts to improve the competitiveness of a small town centre, need to be aligned with the broader regeneration strategies set out in, for example, the local area agreement. It is important that these connections are made effectively as it is primarily at the neighbourhood level that people interact with local authority services, and other service providers, and where community driven regeneration happens for real.

## Neighbourhood management

The independent national evaluation of the Neighbourhood Management Pathfinders shows that people's satisfaction with where they live rises faster in neighbourhood management areas than elsewhere, as does their satisfaction with key local services such as policing, street cleaning, and dealing with litter and vandalism. People in neighbourhood management areas also feel more able to influence local decisions. These are important factors in ensuring a sustainable approach to regeneration, linking economic, social and physical renewal at the neighbourhood level.

### Example – Chesterhill Neighbourhood Management Pilot

In March 2007, the Chesterhill Avenue area in Thrybergh was identified as the most vulnerable community in Rotherham. The Chesterhill Pilot was not externally funded. This ensured a truly bottom-up approach was taken, bringing residents and local partners together to improve everyone's understanding of local problems and target services as local needs. With support from the local authority, the Chesterhill Pilot has:

- established a local neighbourhood pride residents team, providing a forum for local people to discuss with service providers how local services should be improved;
- initiated a weekly multi-agency walkabout to ensure responsive action is taken on issues which affect people's quality of life;
- held fortnightly neighbourhood pride surgeries for residents, local Councillors, the police and others; and
- delivered neighbourhood pride newsletters to all households to keep residents informed.

And these measures have already delivered real change in the area since the pilot started in September 2007:

- recorded crime is down by 50 per cent;
- anti-social behaviour is down by 70 per cent, with a significant increase in referrals to support agencies such as parenting programmes and mediation; and
- greater community reporting of incidents to Rotherham's Streetpride initiative, helping to deliver cleaner and safer local streets.

## Regional prioritisation

- 3.12 Regional Spatial Strategies (RESs) and Regional Economic Strategies (RESs) steer growth and support regeneration. Regional strategies will be informed by local assessments of economic circumstances as well as the local LDF and SCS.
- 3.13 In order to give regions the opportunity to consider their overall priorities, a second Regional Funding Advice exercise will be undertaken over the coming months, with additional funding streams including regeneration programmes. As part of this process, regions will be asked to advise central government on their sub-regional priority areas for regeneration to guide targeted regeneration investment and help align central government funding streams behind regional priorities. The approach should consider both regeneration needs and opportunities in developing regional strategies.
- 3.14 To provide a clear focus for this advice, the Government proposes that each region should set clear regeneration priorities and develop a **Regional Regeneration Priorities Map** which identifies agreed priority geographical areas for regeneration investment. **Regional Development Agencies, regional assemblies and partners will be asked to provide indicative regional regeneration priorities maps as part of their regional funding advice by early 2009.**
- 3.15 It is intended that these Regional Regeneration Priorities Maps will drive a new approach across central government, providing an evidence based tool to align central government investment with local and regional regeneration priorities – this will contribute to building private sector confidence in these areas. In turn, we expect this prioritisation and coordination to increase the flow of private investment in regeneration.

### Integrated support – EEDA's Integrated Development Programme

The East of England Development Agency has pioneered the production of Integrated Development Programmes (IDPs) to deliver growth in functional urban areas. Four have been completed – Greater Norwich, Haven Gateway, Luton/South Beds and Peterborough – and the process is now being rolled out across the region.

Based on sound analysis of the local economy and housing market the IDPs set out how growth will be delivered, to 2021 and beyond, including phased and prioritised public sector interventions for key infrastructure. A key strength is that they can be used by all partners in the development process. For the private sector there is clarity on the expectation of their contribution to infrastructure, more certainty on the timing of development and greater confidence to invest. For the public sector there is the potential to align the investment of all partners – housing, economic development, transport, health, education and community provision, environment and so on – in a single plan and process. In this way the IDPs promote joined up working across the public sector, in particular between EEDA and local authorities, alongside practical delivery, consistent with the principles of SNR.

## A common approach at different spatial levels

3.16 Up until now, this chapter has focused on the planning tools that exist to target regeneration at different spatial levels. If we are to achieve consistency in targeting it will be important to use those tools in a consistent way. This framework proposes that partners should use existing planning processes to:

- determine **priority locations** for regeneration;
- develop a **clear strategy and roles** for different partners;
- plan effective **delivery**; and
- ensure that programmes are **appraised and evaluated effectively**.

3.17 These are considered in more detail below. For many, this approach will seem obvious. That's because it's based on existing good practice. This framework exists not to alter effective strategic approaches, but to ensure that all agencies at different spatial levels are working to consistent standards and taking a similar approach to deciding how and where to target regeneration investment.

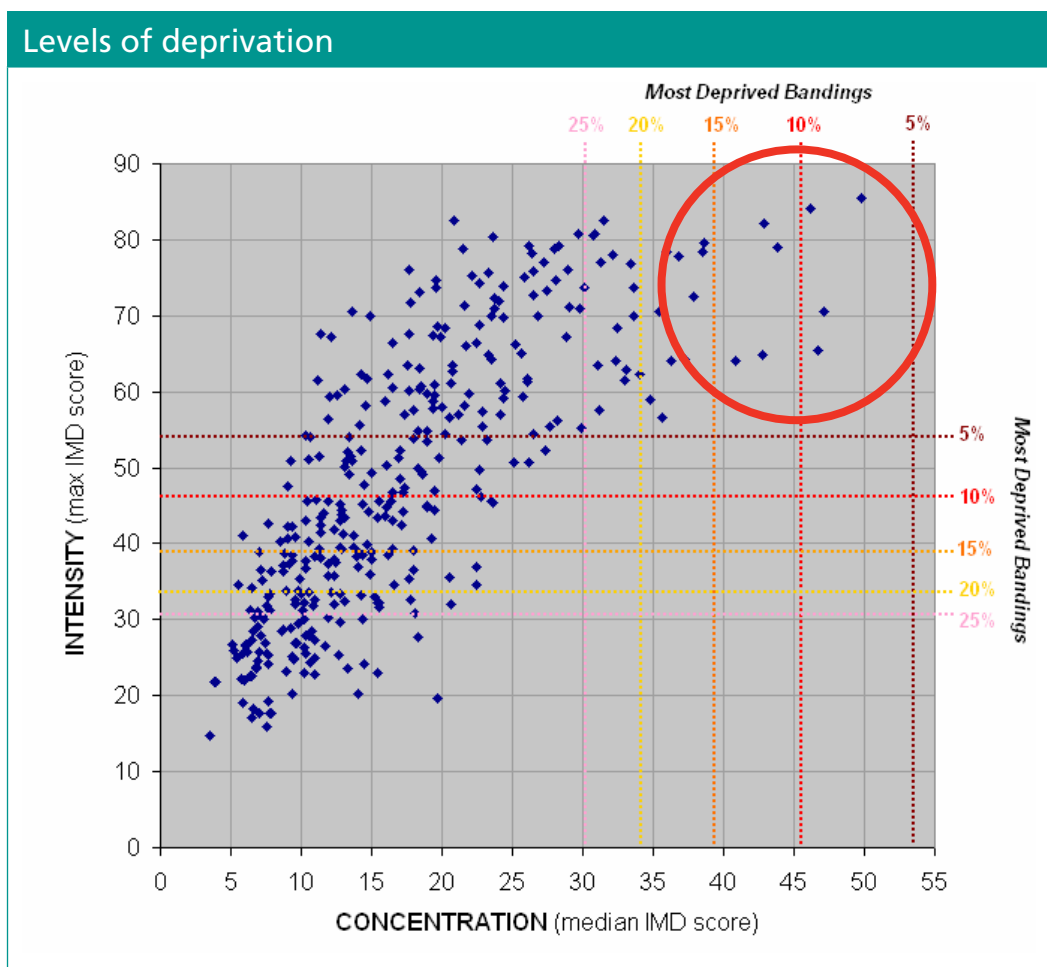
### Determining priority locations

- 3.18 Regeneration activity will in part be driven by the availability of sites; the scope for attracting private investment; and initiatives produced by communities themselves, such as asset transfer. But this must be part of a wider strategy. This section outlines a strategic approach to identifying priority locations to give partners long-term confidence and ensure investment is targeted in a way that benefits deprived communities. These locations **should be determined by local and regional partners, based both on the extent of deprivation and the opportunity to deliver long-term change.**
- 3.19 Obviously, not all deprived areas are the same and different places will need different scales and types of investment. It is important to understand these differences when determining priority locations – and to understand both the level of deprivation and the wider economic conditions. One way to do that is to use the criteria below to analyse the nature of the regeneration challenge in a particular area. The Government is exploring how these criteria could be used to target regeneration investment effectively.
- 3.20 The criteria, which can be applied at different spatial levels, are based on existing good practice and have been designed to be used in consultation with the local community. They do not propose hard and fast measures for identifying areas under each criterion, in recognition of the fact that challenges will vary, and will need to be explored through discussion with residents of deprived areas. The criteria – which are described in more detail at Annex E – are:
- the **level of deprivation**, as measured by the Index of Multiple Deprivation (IMD);
  - the **strength of the wider sub-regional economy**;
  - the **economic and social characteristics of the area**; and
  - the **dynamics of the area** and how it is changing over time.

#### CRITERION ONE: THE LEVEL OF DEPRIVATION

- 3.21 While the starting point for considering priorities for regeneration are those areas in the bottom 10 per cent of most deprived (according to the Index of Multiple Deprivation at LSOA level), the scale of the regeneration challenge varies quite significantly across the country. In some areas, small pockets of deprivation may exist; in others, deprivation may be more widespread. For example, four local authorities (Hackney, Liverpool, Manchester and Tower Hamlets) have over half of their population living in the 10 per cent most deprived areas in the country.

- 3.22 Deprivation will also vary in intensity – which will also determine the scale of the challenge. For example, over half of local authorities have one Lower Super Output Area (LSOA) – equivalent to approximately 1,500 people – in the bottom 10 per cent of most deprived areas. However, when looking at the bottom one per cent of most deprived areas, then this is reduced to only 17 per cent of local authorities.
- 3.23 The graph below shows how the nature of the challenge varies across local authorities. The x-axis measures the extent of deprivation (a higher value indicates widespread deprivation); the y-axis illustrates intensity (a higher value indicates more severe deprivation). Where deprivation is intense and widespread, the scale of the challenge is likely to be greatest. These areas are highlighted by the red circle in the graph below. Analysing the data contained in the IMD and other national and local data sources will enable areas to understand the regeneration challenges in particular areas and consider the cross-cutting drivers of poor outcomes in deprived areas.



- 3.24 Regardless of targeted regeneration investment, **Government expects that every local authority should aim to improve outcomes in the most deprived neighbourhoods.** At a regional level, the Government would expect partners, led by the RDA, to prioritise

investment towards areas where deprivation is more widespread i.e. where deprived neighbourhoods are clumped together.

## **CRITERION TWO: THE STRENGTH OF THE SUB-REGIONAL ECONOMY**

- 3.25 To understand the needs and opportunities for regeneration, we need to look at the context of a deprived neighbourhood or area. Deprived areas within otherwise successful local or sub-regional economies will require a very different approach to regeneration than those in an under-performing economy.
- 3.26 A detailed analysis of the strength of the economic base in a sub-region will require an assessment of the headline indicators of economic performance and an analysis of the underlying drivers – economic output; productivity; employment; skills; enterprise and social enterprise; private investment in the area; the state of the housing market; innovation; and infrastructure. This analysis of the strength of the sub-regional economy should also reflect the degree to which the opportunities that exist are accessible to those living in the most deprived areas, in terms of skills match and transport connections, as well as social and community infrastructure such as schools, health and social care facilities and local services.
- 3.27 In some sub-regions with strong economies, there may already be strong labour demand or accessible employment hubs, and the challenge may be to encourage deprived areas to benefit from these – for example, through transport connections, improving skills, raising aspirations, or addressing health issues. In others, where the wider economic base is weak, the immediate priority may be to strengthen the sub-regional economy or to create new employment hubs. In either case, however, the type of jobs available (as well as their location) will be a key determinant of whether deprived areas benefit.
- 3.28 Subject to the outcome of the consultation<sup>54</sup>, the proposed new local authority economic assessment duty (see below) will assist with this stage of the process.

<sup>54</sup> *Prosperous Places: Taking forward the Review of Sub National Economic Development and Regeneration; Communities and Local Government and BERR (2008)*



### Local Economic Assessments

The Sub-National Review of Economic Development and Regeneration highlighted the need for local authorities to play a central role in leading economic development and regeneration. We have recently consulted on a new economic assessment duty for local authorities. This will require upper tier and unitary authorities to carry out an assessment of the strengths and weaknesses of their local economy. In two-tier areas, the upper tier authorities will be expected to work closely with district councils. Sub-regional working will be particularly welcome.

Working through the local strategic partnership, the local authority will establish a clear vision for the local economy. This will provide the basis for setting clear investment priorities to take advantage of economic opportunities and tackle the barriers to growth. Local authorities that are collaborating closely on economic development, such as those groups of local authorities working towards multi area agreements will be able to work towards a joint economic assessment. Also, as part of this consultation, we have sought views on whether and how to best take forward the new duty in London.

The assessment should be used to inform the sustainable communities strategy and the local development framework – it will also be the new starting point for the Government's approach to regeneration. It will be the key to stronger relationships between local authorities and established businesses in a community, providing a foundation for concerted efforts to attract more private investment in regeneration. It should also lead to more effective partnerships between local authorities, private developers, investors, and the wider business community.

Building a more highly skilled workforce, and reducing worklessness, are central to the future prosperity of every community. Therefore, in performing this duty, it will be particularly important that local authorities work closely with the Learning and Skills Council, local colleges and other learning providers, and Jobcentre Plus.

### CRITERION THREE: THE ECONOMIC AND SOCIAL CHARACTERISTICS OF THE AREA

- 3.29 Deprived areas are not all the same and they can play differing roles within the wider sub-regional economy. It is therefore important to analyse the movement of people into or out of an area as well as looking at the area overall. For example, an area may not look like it is changing over time but in fact there could be a high degree of population churn through the area, with people moving in from more deprived areas and moving out to less deprived areas. Similarly, gentrifying a deprived area may just displace the deprivation to another part of the sub-region.

- 3.30 Understanding the role of the deprived area will be crucial in not only determining where the greatest need is for regeneration but also in designing an effective regeneration strategy for the area and evaluating regeneration activities. It would then be possible to differentiate between areas which although deprived are providing a launch-pad for residents who move on to better things (which should be encouraged), and those areas that are isolated from opportunity.
- 3.31 Therefore, the third criterion differentiates between deprived areas with high population churn, where people are moving through the area, often moving onto better areas; areas with low population churn, where the majority of people are remaining in deprived conditions; and specifically those areas isolated from economic opportunities where people may be moving through but only to and from other equally deprived areas.

#### CRITERION FOUR: THE DYNAMICS OF THE AREA

- 3.32 The criteria proposed so far give a good snapshot for deciding where and how to prioritise regeneration. However, they don't capture the importance of how places are changing over time and the variety of cultural social and demographic differences between communities and places. Both the type and intensity of regeneration activity required will change depending upon whether the area is improving or getting worse.
- 3.33 Analysing the dynamics of an area will require some trend analysis. This should primarily be based upon analysing how deprivation has changed within the area, including: employment rates; education performance; population changes; business start-ups (including social enterprises); derelict land; house prices; health; and crime statistics. This criterion should therefore be a combination of these indicators which will give an indication of the direction of travel of the deprived area, illustrating both how the area is performing and how attractive the area is in attracting people and business.

#### Developing a clear strategy

- 3.34 Using each of the criteria above in isolation will only tell part of the story. Combining the criteria will provide a clear picture of the varying scale of the regeneration challenge across different deprived areas and give an indication of the types of regeneration activity needed in these areas. Annex G explores this approach in more detail.
- 3.35 This framework – rightly – focuses on outcomes, not activities. But in thinking about the strategy for a place, it is important to consider the types of activities that exist and the circumstances in which they are most likely to be successful. It is also essential to adopt an inclusive

approach to the development of the strategy – involving key public agencies as well as local people, local businesses<sup>55</sup>, and the third sector.

3.36 The four criteria can provide a useful approach to determine the *type of regeneration* that is likely to be most successful in a particular place (in relation to the new outcomes for regeneration proposed in this framework). A successful regeneration strategy will take a co-ordinated approach, bringing together a range of activities to improve a poor place, often covering people, places and markets. One way to categorise them is as follows:

- A) Improving the physical environment** – these activities involve a process of up-grading the infrastructure and character of an area in order to retain and attract people and investment (sometimes described as physical regeneration), improving land use (e.g. through the provision of public spaces);
- B) Improving opportunities for people** – this needs to be a very targeted process, aimed at relevant third sector organisations and social enterprises and people specifically within deprived neighbourhoods. Building the skills, capacities and aspirations of residents to enable them to take advantage of wider opportunities (sometimes described as community or social regeneration). Improving mainstream services in deprived areas will also play a key role. These types of activity will need to support physical improvements to ensure that regeneration is effective; and
- C) Improving the wider economy** – this activity tends to have a wider sub-regional focus. The approach needs to recognise how labour and housing markets operate, and is a process of economic adaptation through new investment and improved business and social enterprise performance in order to boost local employment and incomes (sometimes described as economic development). It needs to be sensitive to the needs of deprived areas in terms of both the type and assessability of new jobs.

3.37 These types of regeneration activity are explored in more detail in annex F, with a greater description of these activities and the relationship with the regeneration challenges that exist in different areas. Within each of these groups there is a range of types of activity that can be undertaken. Depending upon the nature of the regeneration challenge these activities will be more or less appropriate. Often, especially in areas where there are the biggest challenges, it may need a combination of all three approaches, and it is in these areas where there is most need for co-ordination between the various partners to achieve the overall transformative changes needed. For example, mixed use development schemes can integrate employment infrastructure with housing and transport – both improving the physical environment and contributing to the wider economy.

<sup>55</sup> See annex M for additional guidance on working with the private sector

- 3.38 Regardless of the approach adopted, activities should be undertaken in a co-ordinated way, as a part of an overall plan for the area and with a clear understanding of how they will deliver the outcomes proposed in chapter 2. The sequencing of activities is not straightforward and will be dependent upon the circumstances of the area.
- 3.39 It will be vital that regeneration programmes have a thorough, sustainable economic appraisal that not only ensures the activities demonstrate good value for money, but also ensures that the estimated benefits are offering true additionality and recognises the contingencies and time horizons involved. Further details on appraisal and evaluation are at Annex H.

### Effective Appraisal and Evaluation

- 3.40 In order to ensure value for money in regeneration investment it is important that the delivery is under-pinned by strong economic appraisal<sup>56</sup> based on existing good practice. This should establish the benefits from the regeneration scheme, both the direct impacts and how in the longer term this will feed through to achieving the overall outcomes established in chapter 2. It will also be important that the effects of regeneration schemes (both intended and unintended) on different groups are effectively built into the appraisal and evaluation process.
- 3.41 When analysing the benefits, it is important that the net additional benefit of the regeneration activity is determined. This will require the appraisal to take account of the following factors:
- **leakage effects:** the proportion of benefits that benefit those outside of the regeneration project's target area;
  - **displacement:** the proportion of project benefits accounted for by reduced outputs elsewhere in the target area;
  - **substitution effects:** where a firm substitutes one activity for a similar one to take advantage of public sector assistance; and
  - **multiplier effects:** further economic activity in the area associated with additional local income and longer term development needs (i.e. complementary services).<sup>57</sup>

56 This should draw on the relevant guidance including: HM Treasury's Green Book; ODPM's *Assessing the impacts of spatial interventions: The "3Rs guidance"* and English Partnerships Additionality Guide

57 Any economic appraisal should also reflect the temporal impacts of the regeneration scheme, to not only reflect the long-term nature of regeneration and hence the need to discount benefits but also a reflection of the deadweight costs associated with not intervening in the area. Account should also be given to the distributional impact, and the impact on the local environment

### Distributional weighting

HM Treasury's Green Book describes the need when analysing the costs and benefits of a proposal to account for the spread across different socio-economic groups. The guidance suggests that benefits that accrue to those in the bottom quintile of the income distribution should be valued at 4 times those that accrue to people in the top quintile. This will be of particular importance in regeneration schemes, which are focused on the most deprived areas.

- 3.42 It is also important to build in an evaluation of the activity. This will allow for an assessment of whether the regeneration has met its aims, whether it has delivered value for money and whether there were any unintended consequences. Good evaluation will also provide the basis for developing future regeneration investment by providing a transferable assessment of what works and allowing for best practice to be spread to other areas.
- 3.43 We want to reduce the burden on regeneration partnerships of multiple evaluation requirements – which can be resource intensive and prevent a shared vision from being reached. In many instances, RDAs and the HCA have agreed to do this through protocol. To support the delivery of this framework, **Government will explore how to join up the appraisal and evaluation of regeneration activities.**

### Effective Delivery

- 3.44 It is important that local and regional strategies specify accountabilities for the delivery of regeneration priorities. Government Offices will have a key role to play here, working with regional partners and local authorities to ensure that effective arrangements are in place to deliver regeneration.
- 3.45 In most cases, the HCA will work with local authorities to intervene in local land and property markets regeneration (type A) – local authorities and their partners are already developing strategies to deliver those social regeneration activities which are prioritised in their local area agreement (type B) – with the RDAs taking the lead in delivering regeneration that is focused on improving the wider economy (type C). Of course, these will often need to be done as a package and it will therefore be important to get the sequencing right.

### The third sector

- 3.46 The third sector – and social enterprise in particular – can be an engine for regeneration. The third sector have a clear role in increasing voluntary activity in making environmental improvements, which often builds a sense of community pride and ownership. Volunteering can also give people a range of experiences that will help them on their

way to employment – and the third sector are ideally placed to reach out to communities in areas that are hard to reach through mainstream services. Their role in engaging communities ranges from practical environmental improvements, such as conservation work or neighbourhood management/improvement, to offering skills and training and routes into employment or education.

### BTCV

BTCV delivers employment contract services through its social enterprise arm (BTCV Enterprises) which sits alongside the BTCV charity. BTCV Enterprises operates a well established Employment and Work-Focused Training division which has worked with unemployed people since 1985 delivering government funded employment programmes throughout the UK. Currently they work with over 8000 customers annually, 30 per cent of whom move into full time employment.

BTCV's model of delivery is consistent with research that suggests for the most disadvantaged adults and young people a combination of work focused training and work experience, which is flexible/customer centred, is most likely to lead to increased employability and job attainment and retention. It uses a nine-stage process where customers can access any stage or combination of stages based on their specific needs.

The work carried out by the BTCV charity itself can help to create the conditions for the economic regeneration of an area, particularly since 20 per cent of volunteer workdays are delivered in the 15 per cent most deprived areas as per the Index of Multiple Deprivation. Research shows that quality of environment has a direct effect on quality of life – and it is also known that communities with high levels of voluntary activity have better health, fewer burglaries, better educational performance and greater satisfaction with quality of life.

## Delivery Vehicles

3.47 Today, many dedicated special delivery organisations (SDOs)<sup>58</sup> and Special Purpose Vehicles (SPVs)<sup>59</sup> exist to drive regeneration projects. Although SDOs or SPVs may provide a vehicle for delivering on regeneration priorities within an area, it will be important to ensure that it provides good value for money when compared with other options. Indeed, it may be possible for established vehicles such as Local Improvement Finance Trust initiatives (LIFTs), established for health investment and Local Education Partnerships (LEPs), established

58 Examples include economic development companies, urban regeneration companies, urban development corporations, housing companies and housing market renewal partnerships

59 Local asset backed delivery vehicles managed as a partnership between the public and private sector

for education investment, to take on a wider role to drive such regeneration.<sup>60</sup> Further details are at Annex I.

## Procurement

- 3.48 Regardless of the delivery vehicle, regeneration must secure value for money for the taxpayer. But sustainable procurement<sup>61</sup> is not just about cash cost. It has the potential to realise social and economic – as well as environmental – benefits for communities.
- 3.49 The *Local Government Sustainable Procurement Strategy* (November 2007) responds to the recommendations of the *Sustainable Procurement Task Force* (June 2006). This strategy explains how local authorities can harness the sustainability potential of their procurement spend to supplement the social, economic and environmental well-being objectives of their sustainable community strategies, including the development and implementation of local area agreements (LAAs) and closer working with the third sector.
- 3.50 Nexus is one example of a group that aims to transform areas through the provision of high-quality affordable housing and access to training, education and employment for residents, using procurement as a key lever. The box below gives an example of how this might be achieved.

60 Where these vehicles are used for wider objectives, it will be important to ensure that the procurement procedures are transparent and demonstrate good value for money.

61 Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life cost basis in terms of generating benefits not only to the organisation, but also to society and the economy, while minimising damage to the environment. *Procuring the Future* (Sustainable Procurement Task Force, June 2006).



### Nexus – social transformation in action

Nexus was launched three years ago by Olmec, a Community Investment Foundation established by Presentation, a social business providing affordable housing and community regeneration projects for some 20,000 people. Anyone tendering for work with the Presentation Group was asked to include a statement explaining how they would contribute to the communities the Group serves. The companies were given options to suit them – firstly to choose which of four social investment themes most interested them (training and employment, financial inclusion, health and sports and the environment) and secondly whether they would like to contribute their professional expertise, pro-bono support, volunteering opportunities or cash. Nexus would then match their offer to the needs of the communities the group works with.

All the suppliers in the procurement chain were enthusiastic about being given a managed way into CSR. Very soon Presentation was able to make it a requirement that anyone who wants its business must sign-up to Nexus. And, from a Group offering contracts worth thousands – and sometimes millions – of pounds, a lot of new resources started to flow.

Take for example Wates Living Space – a building contractor working with Presentation and a Nexus signatory. In November 2007 Nexus connected them to **make:good**, which supports excluded young people in Lambeth, south London. The **make:good** project needed to renovate their youth centre, and Wates engaged the teenagers in the design and construction process to give them work experience and then helped them through accredited training. Wates invested more than £10,000 through Nexus, through the renovation of the centre and the training opportunities they provided.

Nexus and the contractors have contributed some **£600,000 of new resources** to the community. Individuals and community groups have had training, employment support, work experience, professional advice and much more. Presentation has found the organisations ever more willing to engage, ever more enthusiastic about the programme. The under-served communities Nexus works with are also delighted – they see the difference it makes.



## What does this approach mean for housing policy?

### Housing Reform Green Paper

We recently announced we will be bringing forward proposals in a housing reform green paper towards the end of 2008. The green paper will build on this framework to set out proposals to provide housing services and options which help and encourage people towards greater economic independence and social mobility – matching responsibility with opportunity so that they can realise their potential and best meet their own housing aspirations in the future – and to deliver greater fairness and make best use of our resources.

This green paper will build on John Hills' important report of February 2007 *Ends and means: The future roles of social housing in England* and Professor Martin Cave's report *Every Tenant Matters: A review of social housing regulation*. It will also draw and build on other important reviews currently underway – including the independent review of the private rented sector being taken forward by Julie Rugg.

- 3.51 We are already taking forward work in advance of the green paper. John Hills suggested that the excellent work already being carried out by many local authorities around the provision of housing advice and support could form the baseline for more holistic 'enhanced' housing options services, offering advice around a wider range of issues to a wider audience, and specifically as a way of helping to tackle worklessness.
- 3.52 Many authorities are already starting to develop more integrated advice services, through an 'enhanced' housing options approach which offers both broader housing advice and a more holistic service with better links to employment-related advice. Enhanced services build on homelessness prevention work by encouraging people in low and medium as well as high levels of housing need to approach the local authority for housing advice, intervening early to prevent crises from happening. Some enhanced services link housing advice to advice about a range of broader issues – for example, employment-related advice around childcare, training, job opportunities, financial management and benefits.

3.53 The Government would like to see local authorities do more of this 'enhanced' housing options work, so in March we announced we would be supporting two programmes of enhanced housing options trail-blazers to test the approach and build good practice. Authorities on the first programme will act as 'mentors' for those on the second programme. We produced a document *Expanding Choice, Addressing Need* which sets out the department's vision for enhanced housing options services. Earlier this month, we announced we would be expanding the trail-blazer programmes and announced the 12 authorities who would be acting as mentors under the first trail-blazer programme. The successful authorities under the second programme of trail-blazers will be announced in due course.

#### WHAT WILL BE DIFFERENT?

*This box summarises the changes we could expect to see if all of the proposals in this chapter were implemented.*

Partners will prioritise regeneration areas and activities on a consistent basis at different spatial scales, using the following criteria:

- the **level of deprivation** in absolute terms, as measured by the IMD;
- the **strength of the wider sub-regional economy**;
- the **economic and social characteristics of the area**; and
- the **dynamics of the area** and how it is changing over time.

In addition, there will be new **regional regeneration maps**, providing clarity on regional regeneration priority areas and steering central **government investment decisions**.

Government will also lead work to join up the **appraisal and evaluation of regeneration**, supporting more joint investments to reduce bureaucracy.

### Consultation questions

We are interested in your views on the proposals in this chapter. Details of how to feed your views in are at annex A. In particular, we are interested to hear your views on the following questions:

- **Is the criteria based approach a helpful way of ensuring greater consistency in prioritising regeneration investment?**
- **Should we ask regions to work with local authorities to develop regeneration maps? What are the disadvantages of that approach?**
- **Should we go further? What else can be done to align national Government investment behind local and regional priorities?**
- **Will this approach give the private sector confidence and unlock long term investment? If not, what would?**
- **Is there a case for central government still identifying some specific neighbourhoods and targeting particular assistance at them in future in order to learn lessons, as we have done with NDCs?**

# Chapter 4: Who needs to act differently as a result of this framework?

## Introduction

- 4.1 This document has set out a new focus on tackling underlying economic challenges through regeneration, based around three priority outcomes and clearer geographic prioritisation. As set out in the SNR it will be important to consider how the system of accountability, incentives and capacity can help to effectively support regeneration. To help drive that approach it has proposed some common processes and techniques to help public and private partners determine how and where to target regeneration investment.
- 4.2 Taken together, we expect these changes to:
- **set clearer priorities** for targeted regeneration investment, based on an understanding of how to deliver longer-term change in deprived areas;
  - **put communities at the heart of regeneration**, equipping residents of the most deprived areas to shape the future of their communities and the nature of the regeneration investment made in their areas;
  - develop a stronger sense of **common purpose for regeneration**, across the public; private; and third sector in tackling inequality;
  - improve the co-ordination of national, regional, and local decisions on investment in **mainstream public services** – health; education; housing; and policing, ensuring it takes account of the additional and complex needs of service users in deprived areas; and
  - improve the **integration and efficiency** of regeneration activities at different spatial levels

## What this means for each agency

- 4.3 **The boxes that follow are indicative.** They will change in light of consultation, but they are included to give a clear understanding of what would be different if the proposals in this document were implemented in full after consultation.

## Local Government

We propose that local authorities in their role as place-shapers<sup>62</sup> will:

- **Lead the delivery of economic development**, and physical and social regeneration in their areas, marshalling the input of all partners within the priorities set out in this framework, and shaping and playing a role in delivering regional strategies
- Use their Local Area Agreements and Sustainable Communities Strategies to **drive positive outcomes** for deprived areas including through mainstream services, using the LAA review and refresh process to revisit regeneration priorities in line with this framework
- Develop appropriate structures and processes to **put communities at the heart** of the design and delivery of regeneration
- Play a **strategic housing role** – creating mixed sustainable communities that reflect the diverse needs of both rural and urban settlements, by ensuring that the right housing is in the right place with the necessary infrastructure and support and **making connections with decent homes funding** to secure employment opportunities.
- Ensure that **housing and regeneration policies in their local area are mutually reinforcing**, working closely with local authority and social landlords in their area where appropriate to harness their contribution to tackling worklessness and supporting economic development.

Local Strategic Partnerships will:

- **Prioritise regeneration funding** explicitly within the local area, both geographically and thematically, within the context of the Local Area Agreement, the LDF and SCS

Regional Assemblies will:

- Work with regional partners to **provide indicative regional regeneration priorities maps** as part of their regional funding advice by early 2009.

<sup>62</sup> Place-shaping is the responsibility of local government and all the local partners in the public, voluntary and the business sectors. It is about creating attractive, prosperous, vibrant, safe and strong communities where people want to live, work and do business

### Regional Development Agencies

We propose that RDAs will work with local authorities and Regional Assemblies to:

- **Help to build the capacity of local authorities and sub regional partnerships**, to deliver sustainable economic development and regeneration activity, consistent with the Government's objectives of creating economic opportunities for all and tackling spatial concentrations of deprivation.
- **Delegate their funding** – in line with the regional strategy, MAAs and LAAs – to support economic development activities that are best carried out at local and sub-regional spatial levels, where capacity and appropriate structures exist.
- Work with regional partners (through the process outlined in Chapter 3) to **provide indicative regional regeneration priorities maps** as part of their regional funding advice by early 2009.
- **Consider developing employment hubs, through promoting enterprise and business growth supporting skills development, and contributing to 'place' development** – particularly in weak sub-regional economies with high levels of deprivation.
- **Explore the use of special purpose vehicles (with the Homes and Communities Agency and government), Regional Infrastructure Funds, Regional Funding Allocation Advice and the European Regional Development Fund** to promote regeneration.

### Partnership working between the Homes and Communities Agency and Regional Development Agencies

The HCA and RDAs are the government agencies charged with delivering regeneration in the regions. They each have significant capital investment budgets for regeneration. The two agencies have different but complimentary roles – the HCA will lead on housing-led regeneration, whilst the RDAs lead on economic regeneration. However, it is vital that they work in partnership to ensure that they invest their funding in a co-ordinated way, and in support of shared priorities for an area. Therefore, the two agencies will work in partnership by:

- Holding **‘single conversations’** with local areas. This means that the two Agencies would make investment decisions together, in a way consistent with local aspirations and plans (as set out in Local Area Agreements and Multi Area Agreements), and, at the same time, consistent with wider national and regional objectives for regeneration.
- Moving towards a **programme – rather than a project-based approach**, allowing the two agencies to work together in support of programmes of activity rather than focusing on the delivery of individual projects.
- **Co-ordinating the input of other key agencies** as far as possible to ensure an integrated cross-government approach to regeneration in an area.
- Working together with local authorities to make sure that the **views of local residents and communities** are heard when making decisions about regeneration and investment.

### Government Offices

We propose that Government Offices, as the voice of central government in the regions, will:

- Work with local authorities to ensure efficient performance against **ambitious Local Area Agreements** that deliver key regeneration outcomes.
- Work with groups of local authorities to develop **Multi-Area Agreements** that deliver robust and ambitious economic growth and regeneration outcomes.
- Work with Regional Efficiency and Improvement Partnerships to **build capacity** across the region with a particular focus on the capacity of local government.
- Work through LSPs and with other local partners to **support the development of effective regeneration strategies**.
- **Feedback to Whitehall Departments** about good practice and barriers to the implementation of regeneration policy.
- Work with regional partners to **provide indicative regional regeneration priorities maps** as part of their regional funding advice by early 2009.



## The Homes and Communities Agency

We propose that the HCA will:

- Base their approach to regeneration on this framework including reporting annually on the **impact their regeneration investment has on the success criteria** in this framework.
- Prioritise regeneration investment in line with the geographic priorities outlined in **regional funding advice**, reporting annually on progress in these geographies.
- Develop a range of integrated housing and regeneration programmes in partnership with local areas – aimed at tackling deprivation through the provision of physical improvements and infrastructure to **support economic development and connect homes to job opportunities**.
- Consider the **access to jobs in decisions on location of new social housing**, and in taking forward estate transformation, encourage partners to develop a strategy to tackle worklessness.
- Provide support to local agencies to **put communities at the heart of the design and delivery of regeneration**, through the Academy for Sustainable Communities and the administration of the New Communities Fund.
- Review the **Special Delivery Organisations they fund when the HCA is established**, on the basis of the framework.
- Consider with partners **how to meet residents' wider needs for training and work when investing in stock** – whether new developments or regeneration of existing estates – so that investment in place is matched with investment in people and communities are sustainable in the long term.
- Have a duty to **co-operate with local authorities** to implement their regeneration priorities.
- Meet its responsibilities under the **race, gender and disability duties** by:
  - working with local and national agencies to ensure that regeneration priorities identify and respond to the needs of diverse communities and consider the impact of regeneration on equality and community cohesion;
  - encouraging local agencies/partners to identify and work with diverse communities in the design, planning and ongoing delivery of regeneration locally; and
  - encouraging and working with partners and local agencies to ensure that decisions relating to regeneration programmes are fair, transparent and communicated to local people.

## National Government

We propose that Central Government will:

- **Integrate investment appraisals** that impact on regeneration, ensuring those appraisals effectively measure wider community, environmental, and economic benefits from investment.
- **Unringfence money** to enable local partners to tackle joined up problems collectively and with as little bureaucracy as possible.
- **Encourage partnerships** across functional economic areas, including through the process of agreeing Multi-Area Agreements.
- **Merge funding streams** where departmental objectives overlap (e.g. the Working Neighbourhoods Fund and the Disadvantaged Areas Fund).
- Continue to deliver flexibilities to local partners by supporting the development and delivery of **Local and Multi Area Agreements**.
- Provide **responsive mainstream services**.

To support this cross-Government approach, **Communities and Local Government** will:

- **Monitor the key outcomes in deprived areas**, based on:
  - improving **economic performance in deprived areas**;
  - improving rates of **work and enterprise in deprived areas**; and
  - creating sustainable places where people **want to live and can work, and businesses want to invest**.
- **Promote a joint approach to regeneration at all levels by compiling a map of regeneration priority areas** (based on regional maps) to help steer capital investment decisions across the public sector and in the private sector.
- Establish and embed the Social Enterprise Unit to ensure that the **skills and expertise of social enterprise** are allowed to flourish and are supported to deliver shared regeneration objectives

### What the private sector can expect

The approach proposed in this document aims to help to give the **private sector confidence** in the longer term regeneration goals of Government and encourage sustained investment. The proposed regional regeneration priorities map will specifically identify those locations where Government is committed to promoting regeneration. These are the locations where Government wishes to share the risks of promoting regeneration with private developers and investors. Central government will draw these maps together to develop a **national map** which, as well as giving clarity to the private sector, will also help Government departments to align their capital investment strategies with regeneration priority areas.

### What the third sector can expect

This framework recognises that the third sector is vital to the delivery of successful regeneration. By providing a voice for often marginalised groups, the sector will be expected to make a reality of the framework's principle of putting communities at the heart of regeneration.

The sector will be key local partners in the regeneration of communities, working with RDAs and local partners to identify and address regeneration priority areas.

In addition social enterprises will be at the forefront of the review of the £1.5bn Working Neighbourhoods Fund, announced in May 2008.

## Supporting excellence

- 4.4 Central and local government are committed to developing a new joint approach to supporting excellent performance which is owned and driven forward by local authorities and their partners. Through the **National Improvement and Efficiency Strategy**, Government will agree priorities for improvement in local authorities and local partnerships and then focus central and local resources on those priorities. Regional Improvement and Efficiency Partnerships will be at the heart of local arrangements for supporting local partners.
- 4.5 The national **Academy for Sustainable Communities** is currently the lead national organisation to promote to build regeneration skills; this will be integrated into the new **Homes and Communities Agency**.

#### 4.6 The **Commission for Architecture and the Built Environment**

(CABE) is developing skills through its programmes, including through:

- Design in Planning, a joint programme drawing on the expertise and resources of both Design Review and the Skills team
- Enabling programme, through individual enabling relationships as well as dissemination workshops
- Design champions programme: building the skills and confidence of design champions, in partnership with the network of Architecture and Built Environment Centres
- Work with the Core Cities as part of developing the 'Sustainablecities.com' online resource is already identifying skills needs amongst planners and building control, as well as the importance of leadership
- CABE's professional development events, including the Urban design summer school and Street design and placemaking

4.7 Communities and Local Government has also provided support for the delivery of sustainable regeneration at the neighbourhood level through the network of **Neighbourhood Training and Resource Centres**, which provide a range of training and support services to people working in neighbourhoods such as wardens and neighbourhood management teams (see [www.neighbourhoodalliance.org.uk](http://www.neighbourhoodalliance.org.uk) for more details). From April 2009 support for the Resource Centres will be managed by the Regional Improvement and Efficiency Partnerships.

4.8 Local government monitoring arrangements will require the collection and exchange of a wide range of types of information – the **Information Management Programme** will put in place the arrangements for effectively collecting and exchanging that information.

#### **Reporting on LAAs**

A new system has been put in place to manage the collection, exchange and use of indicators and LAA reporting information – the Data Interchange Hub. This Hub was launched on 8 April 2008.

We are also working with LSPs to develop analytical capacity and to automated generation of a number of briefing reports.

## Implementation

- 4.9 This framework has focused heavily on connections at and between local and regional agencies. But it has also set ambitious expectations of central Government, joining up investment appraisals and aligning investment behind local and regional priorities. To deliver that – subject to the outcomes of this consultation – we will extend and enhance the arrangements that have been used to agree LAA and MAA targets across Whitehall.
- 4.10 Communities and Local Government will work with other government departments to co-ordinate regeneration investment, and provide greater flexibility where necessary and remove barriers to delivery of regional and local regeneration priorities – for example through MAAs and statutory arrangements for sub-regional collaboration.

## London

- 4.11 The Government proposes that this new framework for regeneration should apply in London, but recognises its implementation will need to reflect London's unique governance arrangements. In particular, the Mayor of London is responsible for providing strategic leadership to the capital; he is required to prepare a suite of strategies for London, including spatial planning and housing and economic development strategies; has oversight of the London Development Agency, and will become the chair of the HCA's London Committee. The Government will consider how best to implement this framework in London as part of the continued development of this framework to ensure there is a balance between national, city-wide and local priorities for regeneration in London.

## Equalities

- 4.12 This framework has been developed for consultation; to improve our understanding of the likely impact of the proposals on different groups. Over the consultation period we will be meeting with interested groups to discuss the implications of the proposals, and how they could be strengthened. A full equalities impact assessment will be undertaken in parallel with the consultation.

## When will we see an impact?

- 4.13 We expect this framework to begin to change approaches now. It will influence the tasking framework for the HCA and help to shape the approach RDAs and local authorities take to their strategies.

- 4.14 In the longer term, the framework and the consultation response will also set the direction for regeneration activity taken forward in the next spending review, which will shape government spending priorities from 2011.

### Consultation questions

We are interested in your views on the proposals in this chapter. Details of how to feed your views in are at Annex A. In particular, we are interested to hear your views on the following questions:

- **Taken together, do these new and enhanced roles for different agencies equip them to deliver the expectations in the framework?**
- **What would be the costs and benefits of this approach?**
- **How should this framework be implemented in London given London's unique governance arrangements?**
- **What would be the impact of this approach on different groups, according to:**
  - gender and gender identity;
  - disability;
  - race;
  - age;
  - religion/belief; and
  - sexual orientation.

# Annex A: Responding to the consultation

## Consultation criteria

- A1 The Government has adopted a code of practice on consultations. The criteria below apply to all UK national public consultations consisting of a document in electronic or printed form:
- Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
  - Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
  - Ensure that your consultation is clear, concise and widely accessible.
  - Give feedback regarding the responses received and how the consultation process influenced the policy.
  - Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.
  - Ensure your consultation follows better regulation best practice, including carrying out an impact assessment if appropriate.
- A2 The code does not have legal force but is regarded as binding on UK departments and their agencies unless Ministers conclude that exceptional circumstances require a departure from it.
- A3 The full code may be viewed at:  
<http://www.berr.gov.uk/files/file44364.pdf>

## Consultation questions

### Chapter one

- Is this analysis right?
- What further analysis is needed to ensure the needs of different demographic groups are properly reflected in our regeneration priorities?

## Chapter two

- Are the outcome measures proposed helpful? Will they ensure regeneration benefits the poorest people and places in society?
- Have we proposed the right measures?
- Should we measure the scale and rate of private investment in deprived areas, and how could we do so?
- What can central Government do to give communities a stronger voice in shaping regeneration? How can other agencies help?
- What else can we do to ensure regeneration is responsive to environmental change
- How can we further strengthen sub-regional partnerships to deliver regeneration outcomes?

## Chapter three

- Is the criteria based approach a helpful way of ensuring greater consistency in prioritising regeneration investment?
- Should we ask regions to develop regional regeneration maps? What are the disadvantages of that approach?
- Should we go further? What else can be done to align national Government investment behind local and regional priorities?
- Will this approach give the private sector confidence and unlock long term investment? If not, what would?
- If there is a case for central government still identifying some specific neighbourhoods and targeting particular assistance at them in future in order to learn lessons, as we have done with NDCs?

## Chapter four

- Taken together, do these new and enhanced roles for different agencies equip them to deliver the expectations in the framework?
- What would be the costs and benefits of this approach?
- How should this framework be implemented in London given London's unique governance arrangements?



- What would be the impact of this approach on different groups, according to:
  - gender and gender identity;
  - disability;
  - race;
  - age;
  - religion/belief; and
  - sexual orientation.

### How to respond

We would welcome your views on this consultation document. An electronic version (or PDF) of this document and a consultation response form are available to download from the communities and local government website at:

<http://www.communities.gov.uk/citiesandregions>

You may find it helpful to use the consultation response form. Please send your comments using this form to the Regeneration Framework team at:

[RegenFramework@communities.gsi.gov.uk](mailto:RegenFramework@communities.gsi.gov.uk)

Please note the deadline date for responses is **Friday 31 October 2008**.

## Annex B: Understanding the drivers of decline

B1 Processes that lead to and perpetuate decline differ between areas and operate at different spatial levels<sup>63</sup>. However, it is possible to identify three distinct phases in the process of decline:

- **economic change** – the underlying cause of decline in an area;
- **response** – how the market and the community responds to this change, which is dependent upon the underlying strength of the economic base; and
- **legacy** – the longer-term consequences of the change and how the area responds, which can lead to sustained deprivation, where failures in economic, social and property markets interact to reinforce a cycle of decline.

B2 Understanding the position of an area in this sequence – and identifying opportunities for the area to respond to challenges – is essential to designing appropriate regeneration programmes. A response will need to take into account the root cause of the problem, the relative strengths of local and sub-regional assets<sup>64</sup> and dynamics within the wider economy which the area operates.

### Economic change

B3 Often, though not exclusively, the problems in deprived areas can often be attributed back to a change in the economic circumstances in the area. Examples could include:

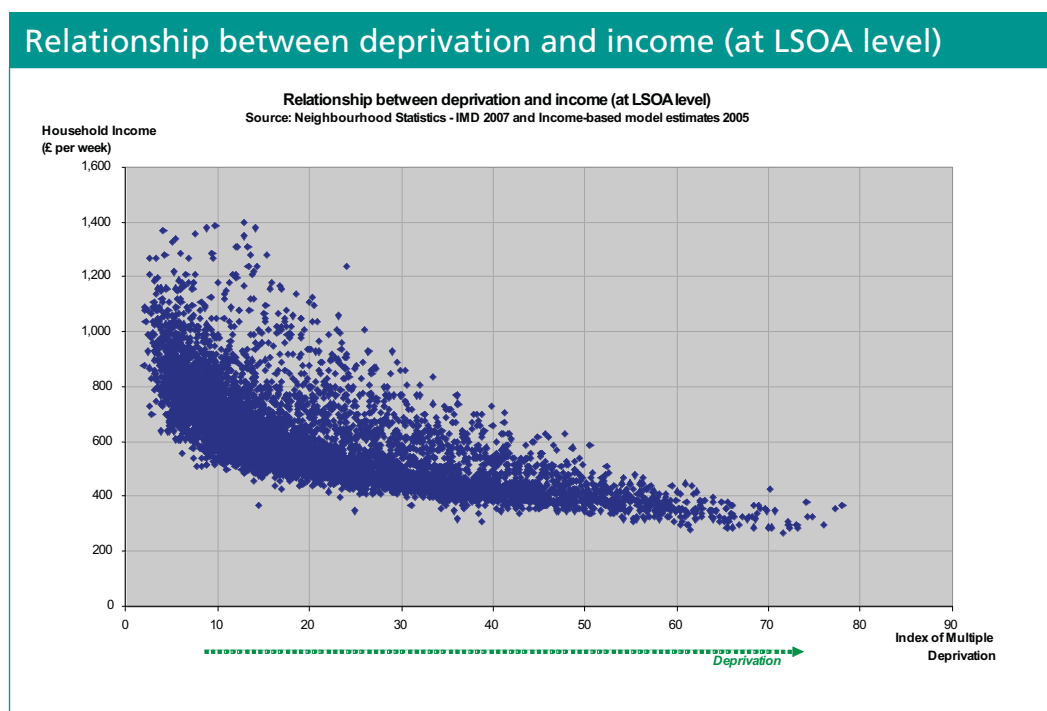
- the collapse of a major employer within the area;
- a long-term process of economic and physical decline as changes in comparative advantage erodes the traditional industrial base within places;
- a wider shock to the overall economy, potentially as a consequence of greater global interdependence of markets opening up the economy to greater risks, that can have impacts on localities;

<sup>63</sup> McGregor and McConnachie (1995) Social Exclusion, Urban Regeneration and Economic Reintegration, *Urban Studies*, Vol. 32, No. 10, pp.1587-1600; Buck, N. (2001) Identifying Neighbourhood Effects on Social Exclusion, *Urban Studies*, Vol. 38, No. 12, pp.2251-2275; Lupton, R. (2001) *Places Apart? The Initial Report of CASE's Areas Study*, Centre for Analysis of Social Exclusion, London School of Economics

<sup>64</sup> For more information on this, consult Communities and Local Government's *Why place matters and implications for the role of Central, Regional and Local Government: Economics paper 2* (2008)

- a shock to a local economy as a result of either a natural disaster, such as flooding, or a security incident; and
- the impact of a sudden and significant inflow or outflow of migrants to an area.

- B4 The argument that economic change is at the root cause of decline can be evidenced by analysing the patterns of deprivation across the country. An economic history of England can trace the current patterns of deprivation back to areas, particularly in the North and Midlands, as well as South and East London, where economic restructuring has seen a decline of traditional manufacturing industries.
- B5 At the other end of the scale, the least deprived areas of the country tend to be in the more productive areas, which have higher concentrations of skilled labour and stronger economic performance, often linked to agglomeration economies. The chart below illustrates this relationship between household income and deprivation.



Source: *Index of Multiple Deprivation, Communities and Local Government, 2007.*

- B6 It is important to emphasise that changes to local economies do not necessarily represent a failure of the market. Indeed, in some cases shocks can be seen as part of a modern dynamic national or regional economy that is seeking to become more productive by adjusting to changing competitive pressures. What is important is developing an understanding of the scale and cause of the shock, and how local economies react and respond.

## Responses to decline

- B7 How the local market responds to changes will be dependent upon the strength of the economic base in the area and the attributes of places which impact upon productivity. Areas with a diverse economic base, a skilled labour force and good social and physical infrastructure will often see the market respond quickly to economic shocks, and restructure to find a new role.
- B8 In other areas, it may take some time for the area to develop a new role. One of the primary constraints that areas in transition are likely to face is in adapting local infrastructure and skills to provide for new opportunities. In many areas commercial and industrial premises, local transport, housing, and skills have been developed to serve particular industries and ways of life that are no longer applicable. The speed with which communities are able to adapt these in response to challenges and opportunities is critical: during this transition, some people could be adversely affected by the shock and subsequent adjustment, and many areas can be left behind. Regeneration will have a role to play in facilitating this transition, and enabling places to find a new role in the wider economy.
- B9 In areas which have a weak and inflexible economic base the market can persistently struggle to adjust to a change in the local economy. Such areas may be characterised by:
- a low skills base – areas which have either a low or narrow skills base will struggle to adapt to changes in the local economy;
  - high worklessness – areas which currently have high levels of worklessness may suffer disproportionately from wider changes and shocks to the labour market;
  - lack of diversity in economic activity – areas with a narrow industrial base can suffer significantly if this sector is affected by a shock;
  - poor transport connections – areas that are on the periphery of a labour market may suffer disproportionately and take longer to recover in response to change; and
  - a poor housing offer – areas that have high concentrations of social housing and poor quality housing that lead to concentrations of vulnerable people and restrict mobility.
- B10 Regeneration should enable areas to respond effectively and efficiently to changing needs and opportunities, and recognise where they can add value to local assets.

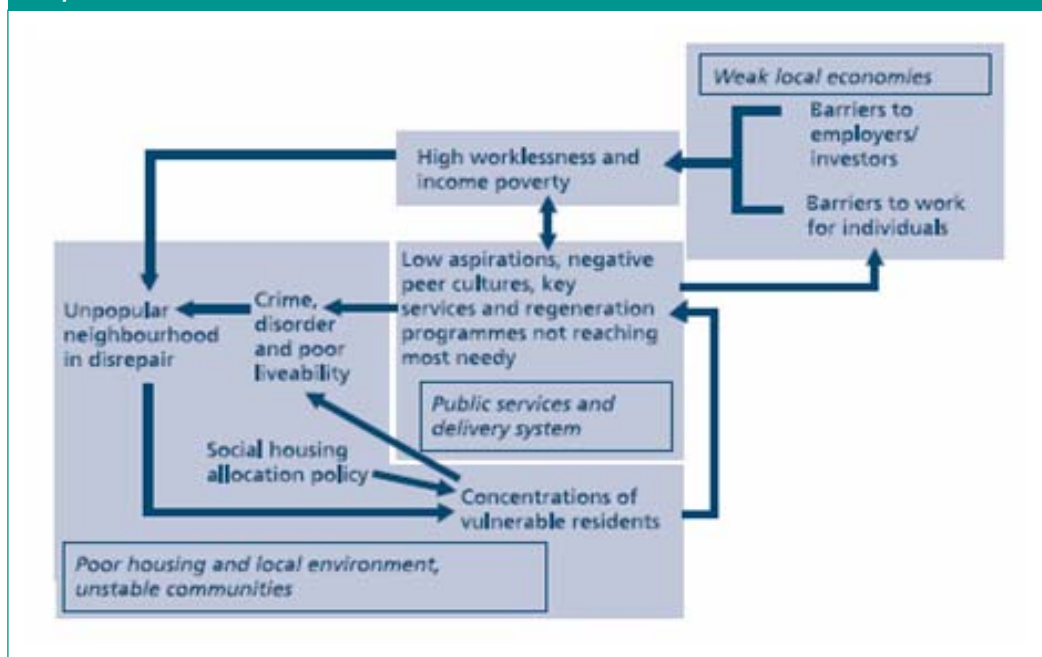
## Legacy of decline

- B11 When the labour market does not initially respond well to a shock, or responds only partially, then market failures can interact with characteristics of the place, accentuating economic and environmental decline and leading to the creation of deprived communities.
- B12 While most labour markets restructure to some extent, they may do so only partially, and while some areas will embrace the new opportunities provided by restructuring, others may be left behind, unable to adapt to the new environment.
- B13 Deprivation is a widespread problem across the country. Only three per cent of local authorities do not have an area with a level of deprivation above the England average.<sup>65</sup> In terms of high levels of deprivation, these can also be found scattered around the country, though there are some places where there are high concentrations of deprived areas. It is in these places where the regeneration challenge is greatest as they contain a greater number of people living in deprived areas and they will often be located in places where the economic base is weaker and there are more limited prospects to connect to wider opportunities.
- B14 In deprived areas, both pockets of deprivation and wider concentrations of deprivation, a localised cycle of decline can occur. A shortage of appropriate jobs following a shock can lead to an exodus of skilled labour as the more able look to move to opportunities elsewhere. This sorting effect, often reinforced through social housing allocations, can lead to the concentrations of workless, low skilled and vulnerable people, and cultures of low aspirations can develop. In turn, this can lead to poor outcomes across a range of other measures, including the degradation of the physical environment, overstretch of public services, higher levels of crime, and poor education and health outcomes.
- B15 The chart below illustrates the cycle of decline that can occur in deprived areas where a weak economic base is at the heart of deprivation, which in turn can lead to problems of poor housing and local environment and poor performing public services in deprived areas which reinforce deprivation:<sup>66</sup>

<sup>65</sup> More precisely there are only 12 of the 354 Local Authorities that do not contain a Lower Super Output Area (a small statistical boundary that roughly contains 1,500 people and the spatial scale which the Index of Multiple Deprivation (IMD) is measured at) that has a higher IMD score than the England average

<sup>66</sup> Source: Prime Minister's Strategy Unit, *Improving the prospects of people living in areas of multiple deprivation in England*, January 2005

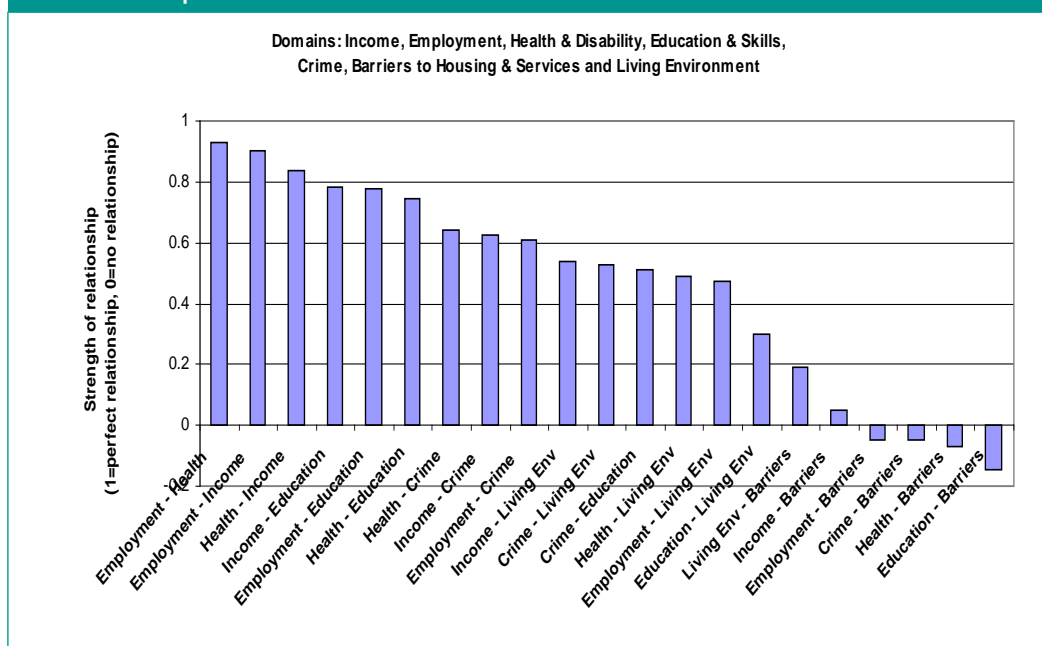
## Overview of the drivers of the cycle of decline that effects deprived areas



Source: "Improving the prospects of people living in areas of multiple deprivation in England", Prime Minister's Strategy unit", January 2005.

B16 Analysis of the 2007 Index of Multiple Deprivation confirms that weak economies are at the heart of poor outcomes for communities. The chart below shows that there are clear links between economic measures – such as employment and income – and social outcomes – such as crime, education, and health. Employment is particularly strongly correlated with other key indicators.

## Chart 1: Index of Multiple Deprivation 2007 – strength of relationship between the domains



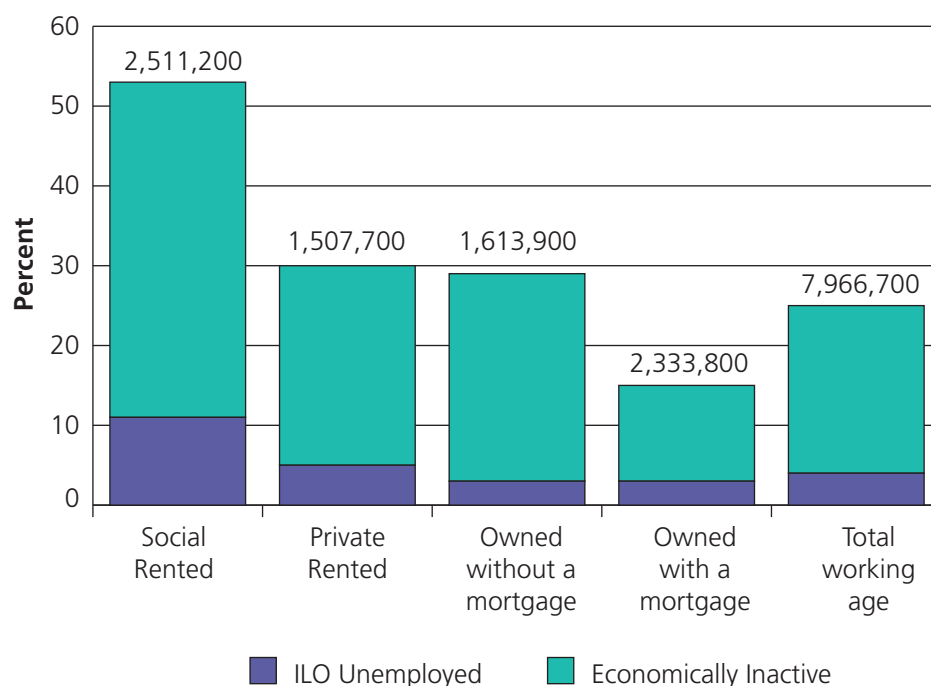
Source: Index of Multiple Deprivation, Communities and Local Government, 2007.

- B17 At the root of this cycle of decline are place specific or heightened market failures that are restricting places adjusting, through finding a new source of competitive advantage and reversing the decline. These market failures exist within local labour markets, capital and product markets, and housing and land markets.
- B18 Place based failures in the capital, land, property, and labour markets mean that areas in decline can struggle to attract new inward investment from the private sector to improve the area while there are low levels of indigenous investment. This can result in accelerated capital deprivation. Specific examples of market failures that can operate within deprived areas are discussed in annex C.
- B19 Where these market failures occur, areas can struggle to respond to challenges and identify new opportunities. This can lead to such areas being left behind, sometimes over a period of many generations as market failures are reinforced and deprivation becomes entrenched. Given there are restrictions on mobility, not all people are able to respond to these changes and can become trapped in these areas.
- B20 However, the public sector also has a role to play in not only providing core services to help individuals but also in ensuring that public infrastructure and services enable those places to adjust, reacting quickly to prevent areas from being left behind. Housing and transport play a key role in this, and need to be able to respond to unlock new opportunities as circumstances change.
- B21 Where housing and transport provision do not respond quickly, communities can quickly become isolated from the wider labour market, as provision reflects historic rather than current forms of activity.
- B22 More people in deprived areas cite poor transport as a barrier to work than in non-deprived areas. As a result, a gap may develop between areas where people live and areas where jobs are located.<sup>67</sup> The chart below shows the concentration of worklessness in social housing,<sup>68</sup> and the map in Chapter 2.

67 *Improving the prospects of people living in areas of multiple deprivation in England*, Prime Minister's Strategy Unit, January 2005

68 *Ends and means: The future roles of social housing in England*, CASE report 34 (John Hills), February 2007

### Worklessness by tenure in Great Britain, Spring 2006



Source: Labour Force Survey JM08; Working Age population; Includes Students

B23 The presence of additional or heightened market failures within deprived areas provide a clear rationale for intervention from an efficiency perspective, while the fact that some people are disadvantaged by where they live and restrictions on mobility provides an equity rationale. However for regeneration to be effective there is a need for an understanding of the government's role in regeneration, why decline is occurring, and how this fits into the wider economic market.

### The need for a flexible approach

B24 This analysis has identified the kind of economic, social and physical factors that lead to decline. Importantly, these factors interact with and reinforce one another in different ways, in different places, at different scales and at different times.

B25 It is important to recognise that every area is different. Therefore there is a need for flexibility in policy responses to decline that reflect these differences and tackle the root of the problem. No single area will completely fit into the pattern of market failures and decline as described above.



B26 For any area intervention to be effective, it should reflect the:

- **causes of deprivation** – the analysis here suggests that the underlying cause of deprivation tends to be a result of a change in the economic circumstances in the area. However, this can range from a very localised problem where a specific firm closes to a more general impact across numerous larger areas as a result of structural change in the economy;
- **area response** – different areas will react differently to change; some areas may respond positively and either develop a strong indigenous economic base, or act to enable individuals to take advantage of opportunities elsewhere. Regeneration strategies need to facilitate change and understand the function and trajectory of the area,
- **legacy effects** – areas that have experienced persistent deprivation and have deep rooted market failures will require intensive action and an understanding of the barriers to opportunity that exist, which may be highly localised.

B27 A key element in reversing decline is the need to increase employment and enabling progression. The analysis here demonstrates that tackling worklessness is crucial; given a lack of employment is often a key determinant of wider personal problems. When worklessness is concentrated in areas, this can accentuate cycles of decline. Tackling worklessness and improving economic performance should therefore be at the heart of regeneration.

B28 It should also be recognised that these processes operate at different spatial levels that will be specific to each area. Where economic restructuring is incomplete, and some areas are left behind, action may be required in the wider labour market that extends beyond the boundaries of the neighbourhood, and even the local authority surrounding the neighbourhood, to reinvigorate employment demand and provide opportunities for residents. Sub-regional Partnerships may be particularly effective here. By contrast, supply side failures such as cultures of worklessness may be neighbourhood specific, requiring intensive outreach programmes with an understanding of local assets and values. However, it is critical that these activities are joined up between different spatial levels to have maximum impact on the life chances of residents.

B29 The starting point for Government's approach to regeneration, as set out in chapter 3 of this Framework, is that successful regeneration should be based on a thorough analysis of the scale and nature of deprivation and the economic conditions in the wider sub-region. The approach for doing this is explained in more detail in Annex E.

# Annex C: The rationale for government intervention

C1 The rationale for government intervention in regeneration is based on:

- **raising efficiency:** regeneration initiatives have a role in correcting market failures to enable markets to operate efficiently to provide outcomes that are best for society;
- **improving equity:** where there are unacceptable disparities in economic and/or social outcomes between individuals or groups, there is a role for government to intervene to achieve a more equitable allocation of resources; and
- **reducing costs to the taxpayer:** areas of economic, social and physical decline place a disproportionate burden on the taxpayer, due to higher associated costs in addressing worklessness, crime and health outcomes.

C2 This annex explores the rationale for government intervention in regeneration. It also explains the need for place-specific regeneration approaches to augment mainstream provision through national policies.

## Raising Efficiency

C3 The Government's overall economic objectives are to raise the rate of sustainable growth and achieve rising prosperity and a better quality of life, with economic and employment opportunities for all. Government's preferred approach for achieving this objective is to support well-functioning markets that allocate resources effectively where possible – where markets do not function well, the Government's approach is to pursue policies that correct the market failures.

C4 Regional and local approaches to place-based economic development are no different. Supporting market-based growth in all local areas and regions is an essential element of meeting national economic objectives and ensuring the UK performs to its full potential.

C5 Economic theory suggests that where markets function well and where there is perfect mobility, the welfare of people with similar characteristics will tend to converge across places. This would be achieved through market adjustment, which would see people and firms move and prices adjust to changes within the economy.

- C6 Even in such a world, we would not expect economic measures to converge spatially – there will always be disparities in performance. This is due to:
- **price variations:** prices vary in different places, so in real terms economic outcomes which can explain some of the nominal differences between places. For example, 2004 ONS figures showed that London prices were 9.4 per cent higher than the UK average, indicating that in real terms London is not as far ahead of the rest of the UK as it may appear;
  - **sector composition:** different areas have different indigenous assets, which will lead to different economic structures. This can make comparison between areas misleading – as high-skilled sectors will tend to generate higher returns per head than low/medium-skilled industries irrespective of place. One study found that differences in occupations accounted for at least one-third of regional variations in wages;<sup>69</sup> and
  - **resident preferences:** some people will value living in a particular place more than the higher income/better employment prospects they may receive elsewhere. So while welfare is equalised this does not mean individual incomes are.
- C7 Government intervention should not seek to tackle disparities in economic outcomes where these are part of an efficient market and do not negatively impact on the welfare of residents.
- C8 However, in practice, markets do not always function well: there are failures in the market that prohibit adjustment, not all people and firms are mobile and these may interact with spatial market failures – so different local areas may have different markets with distinct failures that contribute to disparities between places and deprivation. Specific failures that may exist in an area include:<sup>70</sup>
- **externalities** – where the actions of individuals or firms have spillover effects on others, which are not accounted for by the market. For example, investment that reduces dereliction, decay and contamination in an area is likely to benefit local residents as well as the institution undertaking the work (through asset uplift and potential operational returns). As a result, businesses will invest less in an area than may be socially optimal given the value to residents and other businesses;

69 *Spatial determinants of productivity: analysis for the UK regions*, Venables and Rice (2004)

70 Consult *Communities and Local Government Economics Paper 1: A Framework for Intervention* for more detail on the types of market failure and the rationale for intervention.

- **public goods** – these are goods or services that are non-excludable (cannot exclude anyone from benefiting from it) and non-rivalrous (one's consumption does not reduce availability for others). These goods are likely to be under-supplied by the market as it would be difficult to restrict consumption of the good to those who pay for its provision. For example, private developers are normally reluctant to build large parks or provide public squares which will be available to all who live or visit a community – not just those who live in the new development. Yet these enhancements of the public realm may be important to rebuilding confidence in a declining area and improving social cohesion;
- **information failures** – these tend to occur where one party is less well informed than another and so will not necessarily make a decision that is beneficial to themselves or to society. For example, certain neighbourhoods may suffer from discrimination by employers based on incomplete information,<sup>71</sup> or people within an area may be unaware of opportunities that exist elsewhere;<sup>72</sup> and
- **co-ordination failures** – where there are a large number of people or firms who act independently they may fail to reach the best solution through a lack of cooperating. For example, firms will rarely co-operate in the provision of shared infrastructure, or site assembly that may be essential for firms to locate in an area. In these cases, no firm is likely to want to be the first to invest in an area, limiting inward investment.

C9 Market failures are not uniform across the country or over spatial scales. The severity of market failures varies across different places and there are place specific factors that can combine with market failures to accentuate problems within places and prohibit firms from taking advantage of the natural assets of places to develop a competitive advantage.<sup>73</sup>

C10 For example, as well as directly impacting on standards of living from the amenity value of quality of place and on social indicators, such as crime and health,<sup>74</sup> the legacy of economic history on the physical environment could mean that market failures which led to too little private investment in public spaces are bigger in areas with a history of under-investment. They particularly suffer from problems of negative perception and co-ordination failures – as the lack of existing firm activity can limit the expected return on investment for the first mover to that area.

71 Reimer, 2003; Atkinson and Kintrea, 2001

72 Houston, 2001; Shuttleworth, 2003

73 These issues are explored in more detail in Communities and Local Government's *Why place matters and implications for the role of Central, Regional and Local Government: Economics paper 2* (2008)

74 Evidence from pathfinder areas suggests that improvements in the physical environment are linked with improved local perceptions of crime levels

## Equity

- C11 A regeneration intervention can also be justified for equity reasons where there are unacceptable differences in outcomes as a result of market forces that need to be addressed. The acute and persistent disparities in outcomes between residents of deprived areas and the national average outlined in the previous section is unacceptable and, in recognition of this, the Government set a target in 2001 that no one should be seriously disadvantaged by where they live.<sup>75</sup>
- C12 Improved efficiency and equity are not mutually exclusive. Indeed there are a number of circumstances where the two are complementary; intervening to improve efficiency in a more deprived area can also result in a more equitable outcome. The economic performance of cities, regions and even the nation can be held back (or promoted) by the extent to which all individuals have the opportunity to contribute. Growth and opportunities need to be shared with the hardest-to-reach groups, both because of the scale of under-used resources and the costs incurred in remedying problems.

## Costs to the taxpayer

- C13 As discussed in Chapter Two, tackling and reversing decline in areas could significantly reduce the burden on the economy. Over a fifth of people claiming Incapacity Benefit or Job Seekers Allowance live in the 10 per cent most deprived areas in England.
- C14 Beyond this, there is also significant public spending on health, skills, crime and housing in deprived areas that could be reduced by improving the employment prospects for the people in these areas and making them more attractive places to live.
- C15 Transforming deprived areas could also provide a longer-term benefit to the Exchequer as there is an opportunity cost from under-utilised resources in these areas. Tackling market failures in these areas could deliver value for money from public investment and increase future tax revenues.
- C16 Area-based initiatives need to be sensitive to the drivers of decline that will be unique to each area and the spatial level at which they operate. This may mean that different activity should be undertaken at different spatial levels where the appropriate balance can be struck between flexibility of approach, achieving economies of scale and allowing for effective co-ordination.<sup>76</sup>

<sup>75</sup> *A New Commitment to Neighbourhood Renewal: National Strategy Action Plan*, Social Exclusion Unit, 2001

<sup>76</sup> The Levels of Intervention principles are discussed in detail in Communities and Local Government's *Why place matters and implications for the role of Central, Regional and Local Government: Economics paper 2* (2008)

## Annex D: Regeneration in the global context

- D1 Global trends have, and increasingly, will have an impact upon regeneration, both in terms of shaping the scale of the challenge and in providing opportunities to drive regeneration.
- D2 Regeneration can facilitate places to adapt to find new roles in the global economy, and provide residents with new opportunities to benefit from and contribute to economic growth. At the same time, the scale of the regeneration challenge is increasing due to the demands faced by communities as a result of increased global competition, higher levels of international migration and increasing pressures on our natural resources and global climate.

### Global trends and their impact on deprived areas

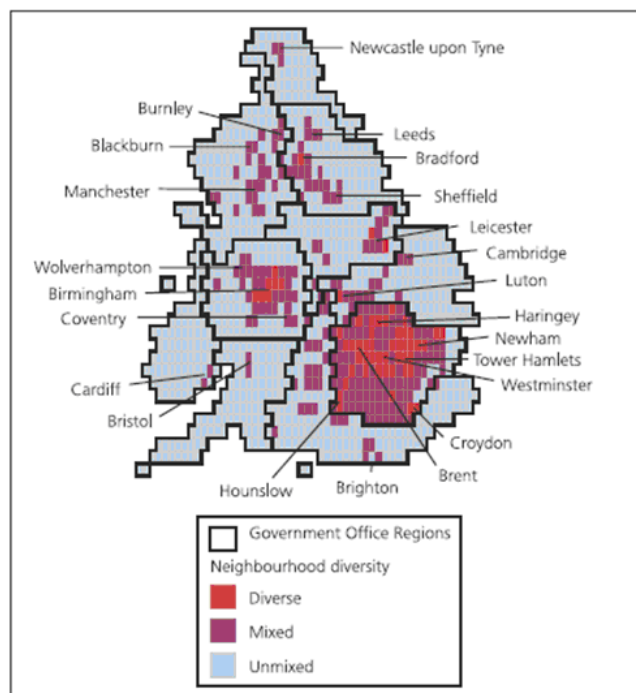
- D3 Annex B has already explored how economic changes can, in some areas, result in places entering cycles of decline as they fail to adapt and respond to the new circumstances. During the 20th Century, increased global competition led to a shift in comparative advantage in England and a structural shift away from traditional manufacturing industry. Annex B set out a lot of the problems of deprivation in this country that can be traced back to this shift.
- D4 Over the 21st Century there is likely to be further intensification of cross-border economic competition, with new opportunities for growth as the balance of international activity shifts towards emerging markets such as China and India.<sup>77</sup> This increased exposure to international competition could put increasing pressure on areas of the country with weaker economic bases and also present a risk to other places where the economy is not sufficiently diverse. However, at the same time, it will also provide opportunities for places to develop and people in deprived areas to take advantage of these new opportunities.
- D5 Linked to this is the increasing premium placed on skills, as the economy moves towards more knowledge intensive industry. The Leitch Review recognised this and suggested “as a result of low skills, the UK risks increasing inequality, deprivation and child poverty, and risks a generation cut off permanently from labour market opportunity.”<sup>78</sup> As well as efforts to tackle this nationally, there is also a need for targeted interventions and regeneration programmes to recognise the importance of training people in deprived areas to ready them for the labour market to ensure that the regeneration is sustainable.

<sup>77</sup> HM Treasury, *Long-term opportunities and challenges in the 2007 Comprehensive Spending Review* (2006)

<sup>78</sup> HM Treasury, *Leitch Review of Skills: Prosperity for all in the global economy – world class skills* (2006)

- D6 The UK has become more ethnically diverse, driven by migration patterns in the second half of the 20th century. During the 1950s and 1960s, labour shortages in Britain saw mass immigration from the New Commonwealth countries, in particular India, Pakistan and the Caribbean. Migration from Bangladesh, Hong Kong and Africa followed. Throughout the period there was steady migration from old commonwealth countries. Greater economic integration and labour mobility have led to increasing migration within the EU, and more recently there has been an increase in migration from A8 countries. By 1991 Britain's ethnic minority population had reached 3.1 million and this increased to 4.6 million in 2001, representing 8.1 per cent of the population.<sup>79</sup>
- D7 Migrants have brought economic benefits together with considerable linguistic, religious and cultural diversity to the UK.<sup>80</sup> However, this has not impacted on all areas equally, as shown in the map below.<sup>81</sup> This has brought new challenges for local areas seeking to provide for new groups, and the scale of the challenge varies significantly between areas. In some local authorities, ethnic minorities make up nearly 40 per cent of the resident population; in others less than two per cent.<sup>82</sup>

### Neighbourhoods and diversity



Source: *Ethnic Minority populations and the labour market: an analysis of the 1991 and 2001 census*, DWP Research report no 333, 2006.

<sup>79</sup> *Social Trends 36*, Office for National Statistics, February 2006

<sup>80</sup> Migrants have a positive impact on the economy and a positive fiscal impact, contributing more in taxes and social insurance than they consume in benefits and other public services. For example, see *The Migrant Population in the UK: Fiscal effects*, Home Office, 2002

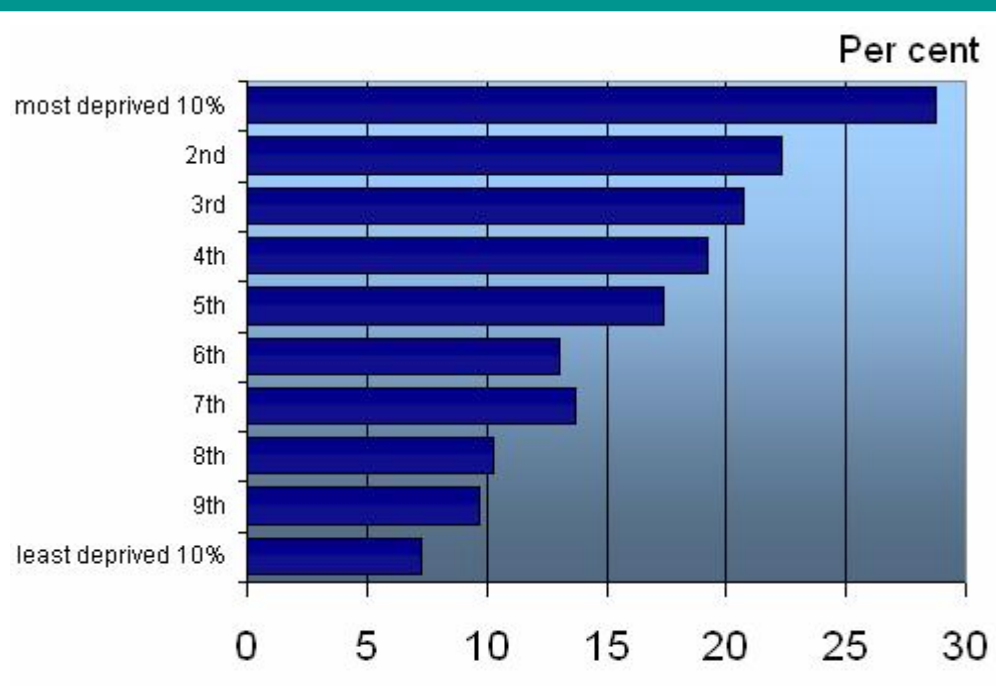
<sup>81</sup> *Ethnic minority populations and the labour market: an analysis of the 1991 and 2001 Census* Department for Work and Pensions Research Report No 333, 2006 (L. Simpson, K. Purdam, A. Tajar, E. Fieldhouse, V. Gavalas, M. Tranmer, J. Pritchard and D. Dorling)

<sup>82</sup> KS06 Ethnic group, Census 2001: Key Statistics for the rural and urban area classification 2004, Office for National Statistics, 2004



- D8 As Britain's socio-economic structure adapts, there will be underlying pressures on relative incomes, and socio-economic changes will bring challenges for social cohesion. But these challenges will impact differently on different places.
- D9 The other key global trend that will increasingly have an impact on deprived areas is the challenge presented by climate change and increasing pressure on the environment and natural resources.
- D10 Risks presented by climate change could place increased pressure on deprived areas both directly, as a result of environmental change and an increasing premium on natural resources causing greater environmental inequality but also indirectly, as the market responds to global environmental challenges.
- D11 More locally, there are environmental challenges for deprived areas. Environmental quality in deprived areas tends to be lower, as shown in the chart below. As well as being a problem in itself, this can also feed back to reinforce other problems and accelerate the cycle of decline.

**Households with poor quality environments by deprivation of local area**



Source: *Index of Multiple Deprivation 2007*; and *English House Condition Survey, 2005*



## Impact of these trends on regeneration

- D12 Regeneration will be affected by these trends but regeneration both in terms of presenting risks to the success of regeneration programmes but also providing opportunities for regeneration to achieve transformative change in deprived areas.
- D13 Currently, the global credit crunch is presenting challenges for regeneration, with a combination of reduced access to credit, uncertainty in the housing market and a slowdown in economic activity placing increased pressure on a number of regeneration schemes.
- D14 At the same time, global trends could also benefit effective regeneration, with increased mobility of labour and capital facilitating places to adapt quickly and increased opportunities to tackle environmental challenges and achieve sustainable improvements in deprived areas.

## Annex E: Developing criteria for prioritisation

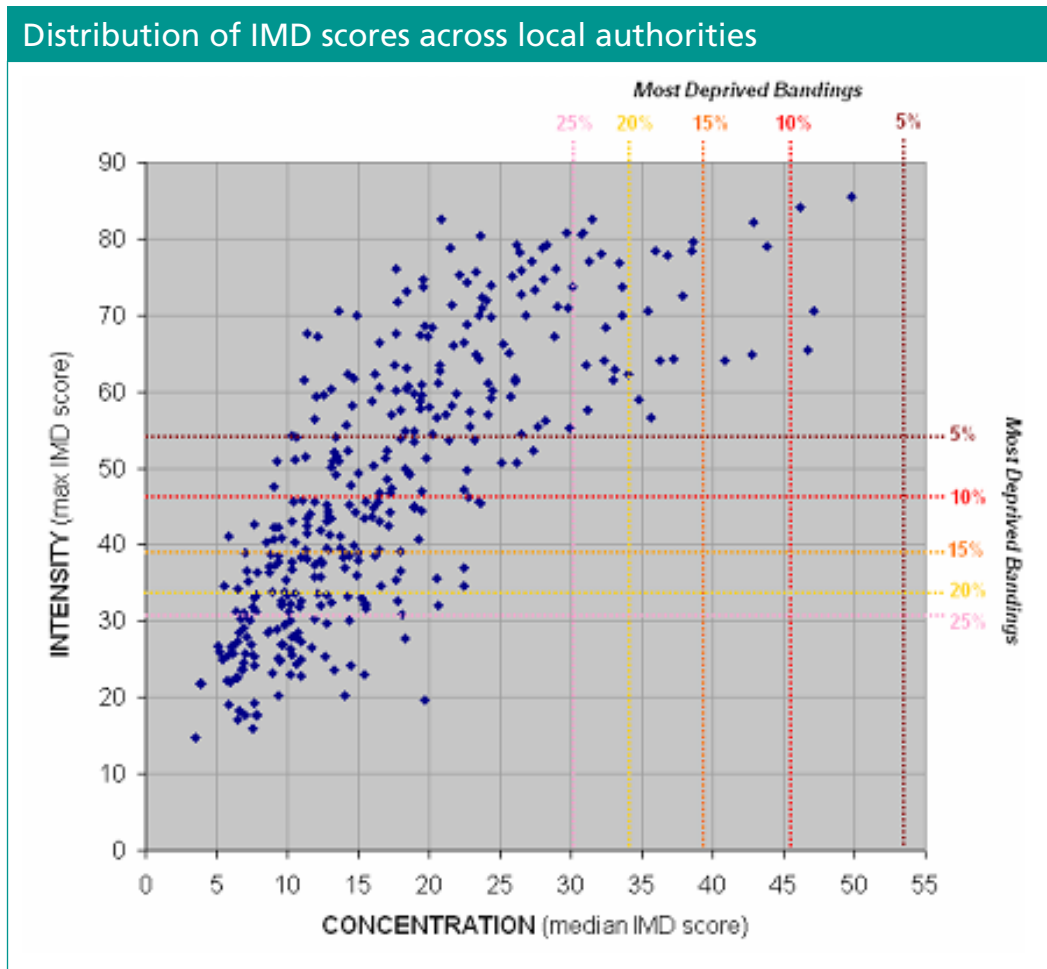
- E1 Annex B emphasised the importance of understanding the nature and scale of the challenge as crucial for designing effective regeneration that will achieve the desired outcomes.
- E2 Given a finite amount of resource, there will be a need for some prioritisation, which should reflect where there is the need for regeneration and an opportunity to achieve the transformative change necessary.
- E3 An effective way to make this prioritisation is to use a criteria-based approach. The criteria should be easily understandable and measurable so as to ensure that the different bodies can effectively use them. They should be flexible, in order to account for differences across places and spatial levels, yet rigorous enough to allow for clear and consistent prioritisation.

### The level of deprivation

- E4 Chapter 1 of the framework established that regeneration activity should aim to improve outcomes in deprived areas and therefore a fundamental criterion should be the incidence of deprivation.
- E5 The Index of Multiple Deprivation (IMD) is the most comprehensive composite measure of deprivation, covering a range of economic, social and physical indicators<sup>83</sup>. When analysing the IMD clear patterns, both in terms of intensity and concentrations of deprivation, can be observed across the country.
- E6 For example, over half of local authorities have one Lower Super Output Area (LSOA) – equivalent to approximately 1,500 people – in the bottom 10 per cent of most deprived areas. However, when looking at the bottom one per cent of most deprived areas, then this is reduced to only 17 per cent of local authorities.
- E7 Similarly, when looking at concentrations of deprivation, there is a difference between places that have very discrete pockets of deprivation to those where it is widespread. For example, four local authorities (Hackney, Liverpool, Manchester and Tower Hamlets) have over half of their population living in the 10 per cent most deprived areas in the country.

83 Communities and Local Government, *index of Multiple Deprivation 2007*

- E8 The following chart illustrates this and shows how there is a clear correlation between the intensity and concentration of deprivation:



Source: to follow

- E9 Those areas in the top right of the chart clearly have the most need for regeneration, while those in the bottom left have the least need. The picture in the middle is less clear. Areas in the upper left quadrant clearly have pockets of deprivation but these are isolated within a less deprived area overall.
- E10 Although the incidence of deprivation is crucial for understanding the need for regeneration it is not the whole story. Importantly the scale of the challenge and opportunity for change will vary between these areas. Some areas will be small pockets of deprivation in otherwise prosperous sub-regions that requires a less intensive but focused regeneration strategy to achieve change. Other areas will have large concentrations of deprivation, located within a weak local economy that require a significant, multi-faceted regeneration strategy to transform the area.

## The strength of the wider sub-regional economy

- E11 Looking at deprivation alone is a good indicator of the need for regeneration; however, it does not give any indication of the opportunity for achieving sustainable transformative change in an area.
- E12 To understand the potential for successful regeneration, there is a need to analyse the wider economic base. Deprived areas within otherwise successful local economies will require a very different approach to regeneration than those in an under-performing economy.
- E13 Therefore, it is proposed that the second criterion for deciding on how and where to prioritise regeneration should be an analysis of the strength of the wider sub-regional economic base.
- E14 A detailed analysis of the strength of the economic base in a sub-region would require an assessment of the headline indicators of economic performance and an analysis of the underlying drivers – economic output, productivity, employment, skills, enterprise, innovation and infrastructure. There should also be some analysis of the demand side conditions, in terms of business performance and sectoral mix. This analysis should also reflect the degree to which the opportunities that do exist are accessible to those living in the most deprived neighbourhoods, both in terms of skills match and transport connectivity.

## The economic and social characteristics of the area

- E15 Although regeneration is inherently area-based, ultimately the intended outcomes of regeneration are to improve the outcomes for the people living in deprived areas. It is therefore important when prioritising to recognise that people can and do move.
- E16 This is important when comparing deprived areas and will have significant implications for assessing the relative need for regeneration and understanding what the appropriate policy response should be.
- E17 Two deprived areas could look equally alike in terms of a score on the IMD; however, one of them may have a high degree of population churn and is playing an important functional role in the wider economy while the other is isolated from the wider economy. For example in the former people could be moving into the area as an entry point to the labour market and attracted here because of cheaper housing and local services and once established in the area, look to move on to better areas. However, on the other side, there could be areas with very low population churn or that are isolated, where people may be moving in and out but not moving up to less deprived areas that are not functioning as part of the wider housing and labour markets.

- E18 The implications for regeneration of these distinctions is that in those areas where there is high churn that regeneration is less intensive and focused specifically on those people not moving through and providing them with access to opportunities. Areas with lower churn or those which are isolated, may require more intensive regeneration, focused on making the place more attractive to live and for business to invest alongside activity to facilitate greater connectivity to opportunities in the sub-region.

## The dynamics of the area and how it is changing over time

- E19 The criteria proposed so far give a good snapshot for deciding where to prioritise regeneration. However, they don't capture the importance of how places are changing over time.
- E20 Places may exhibit similar levels of deprivation but whether things have been improving or worsening is important in deciding on the relative need for regeneration and the most appropriate response.
- E21 For example an area may still be deprived but a combination of previous regeneration activity alongside a change in the market may mean that the area is improving to a point where it does not need as intense regeneration as previously. Conversely, another area may not look as deprived as somewhere else but if it is on a downward trend there may be a strong case for early intervention to prevent the problem getting worse and avoiding it entering into a cycle of decline.
- E22 Analysing the dynamics of an area will require some trend analysis rather than just a cross-sectional assessment. This should not only include an assessment of how deprivation has changed within the area<sup>84</sup> but an analysis of some more timely indicators: employment rates, education performance, population changes, business start-ups, derelict land, climate change adaptation indicators, and house prices.
- E23 In combination, these will give an indication of the direction of travel of an area, illustrating both how the area is performing and how attractive the area is in attracting people and business.

84 Some caution is needed when comparing deprivation over time. The Index of Multiple Deprivation 2007 and Index of Multiple Deprivation 2004 are largely the same and therefore comparison between the two indices is acceptable. However IMD 2001 used a different methodology and so should not be compared overall, though some of the individual domains can be analysed. For more information consult: <http://www.communities.gov.uk/communities/neighbourhoodrenewal/deprivation/deprivation07>

## Annex F: A typology of regeneration activity

- F1 The criteria in annex E mainly focused on understanding where regeneration should be prioritised. However, the conclusions from this demonstrated that as well as deciding priorities between places, it is probably more important to understand the different approach to regeneration needed in different areas.
- F2 There is no single approach to regeneration and different activities will be appropriate depending upon the particular circumstances of the area. Regeneration activity has traditionally encompassed a wide range of different activity.
- F3 Of crucial importance will be engaging with the local community and involve people who actually experience the problems being addressed in the regeneration process in order to gain their support and learn from their first-hand knowledge and experience. Community participation can generally help to ensure that plans for an area's future are more appropriate, authentic and distinctive. It can also help to counter a sense of disaffection and scepticism about the motives of government and external decision-makers. It may be part of a process of moving from a sense of hopelessness and disinterest to restoring trust, commitment and active support. This is particularly important in deprived communities, where voter turnout tends to be lower than elsewhere and disillusionment in the policy process is often higher. Local involvement should also extend to members of the business community and third sector with a local presence.
- F4 To bring some consistency to this, it can be helpful to develop a typology of regeneration activity and develop an understanding of how and where this approach may be most effective. A successful regeneration strategy will often include a number of elements covering people, places and markets. The three groups are:
  - A) improving the physical environment** – these activities are largely focused in local areas and neighbourhoods and involve a process of upgrading the infrastructure and character of an area in order to retain and attract people and businesses that have a choice about where to locate (sometimes described as physical regeneration);
  - B) improving the prospects for people** – this needs to be a very targeted process, aimed at people specifically within deprived neighbourhoods, building the skills, capacities and aspirations of residents to enable them to take advantage of wider opportunities

(sometimes described as community or social regeneration). These types of activity will need to support physical improvements to ensure that regeneration is effective; and

**C) improving the wider economy** – this activity tends to have a wider sub-regional focus, recognising how labour and housing markets operate, and is a process of economic adaptation through new investment and improved business performance in order to boost local employment and incomes (sometimes described as economic development).

- F5 Often, successful regeneration will require activity across all three of these areas, and that they are closely co-ordinated. For example, mixed use developments that integrate the employment infrastructure with the housing and transport may contribute to both improvements in the physical environment and the wider economy – and building the skills of local residents to compete for the new employment opportunities would strengthen the approach further.
- F6 Regeneration is not normally seen as permanent reliance on government funding to alleviate the effects of decline and deprivation. It is a more dynamic concept associated with special effort to tackle the causes of decline, restore stability and promote progressive improvement in jobs and other local conditions. It implies a concerted approach to developing the long-term productive potential of places by investing to create and enhance the value of local assets and opportunities, including the natural environment.
- F7 This is also consistent with the idea of creating sustainable housing, land, labour and product markets without the need for open-ended government subsidies above and beyond mainstream policies and programmes. It contrasts with traditional concepts of housing renewal or the old urban programme, which sought to ameliorate social needs with little attention paid to improving the economic fundamentals of under-performing places and eventually phasing out the exceptional elements of public sector support.

## Improving the physical environment

- F8 Physical regeneration is often the most visible form of activity and can involve substantial capital resource. Interventions should be focused on sustainably tackling market failures in the land and property markets and reducing the stigma attached to places by making them more attractive locations for people to live and business to operate in, whilst taking into account environmental issues such as climate change and pollution.

## Reclamation of derelict and contaminated land

- F9 This is the most fundamental form of regeneration in some ways. It is a pre-condition of other economic and social improvements in places



where there are serious liabilities of environmental dereliction and contamination. These often reflect a legacy of industrial decline and may have negative spillover effects for surrounding areas too. Site clearance and remediation can be costly and time-consuming processes, especially where such conditions are severe. There is usually an important role for the public sector in unblocking redevelopment because of the sizeable risks, uncertainties and timescales involved in reclamation that often deter private investors. There are also arguments for government investment in infrastructure and landscaping on the grounds that these are 'public goods' the market will not provide on its own.

- F10 The considerable financial costs up-front may dictate a selective approach, starting with strategically positioned sites that are most likely to have a wider catalytic effect and progressing towards the more isolated and intractable sites. Policy-makers may be tempted to focus reclamation efforts on places with proven demand from private developers and occupiers. However, there may be other areas with long-term economic potential where lack of confidence can be turned around through demonstrable public sector commitment. The existence in an area of large-scale dereliction or contamination is normally not sufficient on its own to justify major public investment in remediation. There should be a wider argument based on social need and economic potential. Where this case does not exist, 'greening' strategies may be the only viable option for the most challenging sites.
- F11 The urban development corporations of the late-1980s and early 1990s offered some good examples of a concerted approach. They had substantial public resources to acquire, remediate and service derelict sites and their projects produced valuable demonstration effects that helped to attract substantial private investment in due course. They were also set up as special purpose vehicles with a clear focus on physical redevelopment in order to expedite delivery. The Thames Gateway is the largest current programme in the UK involving major land acquisition and remediation, with English Partnerships playing an important facilitating role given its unique expertise and resources.

### **Rehabilitation of housing and other run-down buildings**

- F12 This has always been an important form of regeneration and often the leading edge, hence the term 'housing-led' regeneration. This reflects the significance of the housing stock in residential location decisions and the demands of poorer communities for improved living conditions. Unfit housing is detrimental to people's morale, health and general well-being. Run-down housing damages the reputation of neighbourhoods, attracts vandalism, drug dealing and other forms of anti-social behaviour, and can contribute to abandonment and the ultimate need for demolition. Like land reclamation, the renewal of social housing is also a costly form of regeneration, especially where structural building modifications are required that go well beyond cosmetic improvements.



- F13 Housing-led regeneration has sometimes been criticised for an excessive focus on relatively straightforward bricks and mortar improvements at the expense of more complex underlying issues, including unemployment, low incomes and residential sorting processes. Run-down and abandoned neighbourhoods can reflect intrinsically unattractive locations isolated from jobs and amenities where people with a choice prefer not to live. There are examples of deprived estates that have received repeated rounds of public investment in housing rehabilitation without either stabilising the population or improving social outcomes. Targeting the 'worst first' streets or wards risks ignoring the long-term potential of these places, especially in towns and cities experiencing low demand and surplus stock. The Housing Renewal Pathfinders are seeking to intervene in a more strategic manner based on a better understanding of how neighbourhoods function within local housing markets in order to avoid costly mistakes in the future.

#### **Housing Market Renewal Pathfinder Programme: NewHeartlands (Liverpool, Wirral and Sefton)**

This Pathfinder area has experienced severe population loss, acute neighbourhood abandonment and a severe lack of housing choice. To address these challenges, NewHeartlands has:

- provided 3,073 new homes, including 1,431 in the inner areas outside the city centre;
- improved 333 homes to meet the Decent Homes Standard and carried out other improvements (such as energy efficiency works, target hardening and handyperson work, all important to the well-being of many vulnerable local residents) in 7,503 homes;
- worked with lead RSLs which are taking the initiative in many parts of the Pathfinder area to manage neighbourhoods and consult with the community;
- set up a Home Ownership Advisory Service;
- given practical help and support to the community through environmental improvements, additional security, targeted crime prevention and anti-social behaviour solutions; and
- entered into partnership arrangements with developers not only to provide new housing but also to work on master planning with the community and the provision of training for local people including apprenticeship schemes.<sup>85</sup>

#### **Creating an attractive, safe, clean and vibrant public realm**

- F14 This approach reflects the importance of the surrounding environment to people's quality of life, neighbourhood satisfaction and attachment

<sup>85</sup> Source: *Transition to transformation: housing market renewal and our changing communities. A submission by the Market Renewal Pathfinder Chairs to the government's Comprehensive Spending Review 2007*

to place, over and above the state of the housing stock. Liveability issues such as litter, graffiti, vandalism, road safety and anti-social behaviour have risen up the policy agenda and are the focus of concerted efforts in many places to stabilise the local population and make the area more attractive to potential incomers. Common policy measures include enhanced security and policing, higher standards of urban design, better maintenance of open spaces, and additional investment in public amenities, parks and play areas.

- F15 Communities thrive in well-designed environments that incorporate accessible green space to help create a nicer place for them to live, and these encourage people and businesses to locate to towns. Well-designed contemporary places that people can be proud of and identify with are fundamental to initiating and maintaining successful regeneration projects. Equally, the conservation and creative re-use of valued buildings and spaces that already sit at the heart of existing communities are an important catalyst for heritage-led regeneration.

### **New Deal for Communities: Bradford**

#### Trident Intensive Supervision and Surveillance Programme (TISSP)

TISSP is a partnership project delivered by the YMCA and the Bradford and District Youth Offending Team. It provides support to young people (13 to 18) who have committed an offence (ranging from ASB to assault to burglary). Most of the caseload were young offenders on a court order with additional support provided by TISSP, although some individuals attend on a voluntary basis. The TISSP provides tailored support including counselling, family support, informal work with peer groups, and contact with schools and education. The TISSP is operated on a more flexible basis than its Home Office counterpart (ISSP) – individuals need not have committed as many or as severe offences and resources are greater for TISSP. The original impetus for the TISSP was to address young offending and in particular to target the top 16 prolific offenders in the area.

The key outcomes are around reductions in youth crime in the area. Local data suggests that 93% of young people on the project do not re-offend within 12 months and that there is a reduction in offending. 280 offences were committed by young people in the area in 2004/5. Two years later this was 141. Respondents also suggest that there is a reduction in the severity of repeat crimes committed by offenders attending TISSP.

The project is a result of joint working between a third sector organisation and a statutory agency. It is closely integrated with other services and has a good relationship with the Anti Crime Partnership for the area.<sup>86</sup>

<sup>86</sup> Source: *Delivering safer neighbourhoods – experiences from the New Deal for Communities programme*, Communities and Local Government, 2008

- F16 Similar concerns apply to those associated with housing-led regeneration. Hence, questions are sometimes raised about the lasting impact of this approach on its own without substantial efforts to tackle the underlying issues of housing demand, worklessness and poverty, for example. Clearly, much depends on the nature and causes of the local regeneration 'problem', which vary from place to place. In some cases poor standards of liveability may be an important source of local dissatisfaction and decline in itself, whereas in other places it may be a symptom of a deeper economic and social malaise. In the quite different geographical contexts of town centres and waterfront locations, efforts to create a vibrant, safe public realm are an important means of enhancing 'soft' urban assets, improving the 'people climate' and bolstering local amenities with the purpose of attracting increased consumer spending and encouraging greater city living.

### **Better transport infrastructure and other external links**

- F17 Deprived inner city areas are often reasonably well located in terms of access to jobs and other opportunities, but many peripheral social housing estates suffer from isolation and poor public transport links, both to established city centres and to new business parks, airports and other centres of employment growth at or beyond the urban periphery. Most major UK cities have post-war estates with this characteristic to some extent. For some communities there is also an intangible aspect to connectivity in relation to the weakness of wider social networks and restricted perceptions of external economic and social opportunities. In addition, an important obstacle to attracting businesses to many vacant and derelict brownfield sites within core urban areas is poor access to the strategic roads network. It is difficult for such sites to compete with edge city locations close to the motorway network, so they may need new infrastructure to open up and improve external connections.
- F18 The need for enhanced, sustainable transport links is clearly vital for former industrial towns and mining communities that have lost their economic base. Their future lies at least partly in stronger economic relationships within their broader city-regions, including more extensive public transport-led commuting to centres of employment growth and stronger business links into wider markets. At the inter-regional scale, economic regeneration of northern cities may be accelerated by transport improvements in the form of high-speed rail connections and the development of more frequent and extensive international air routes.

### Coalfields Regeneration Programmes: Wigan

The Wigan area continues to suffer from relatively high levels of deprivation – this is a consequence of the decline of coalmining, textiles and heavy engineering. However, there are encouraging signs that the area is moving in the right direction across a broad number of indicators. There has been significant improvement in the employment, non-employment, JSA claimants and inactivity rates since 1999, there are more business units than in 1998, and educational attainment is improving.

Strategic and local transport issues have been flagged up as key priorities for the Borough – there are plans for a new by-pass (A5225) to be constructed to improve access to key brownfield employment sites and to enhance their market potential – the need for improved transport connectivity across the Borough has been an issue for local stakeholders for several decades. The development of the proposed route will contribute to creating the conditions necessary to attract higher value sectors.<sup>87</sup>

### Image improvement and place branding

- F19 Many deprived and run-down neighbourhoods, towns and cities suffer from an out-dated image and poor reputation, associated with economic decline and its social consequences. Stigma can damage the employment prospects of local residents, undermine local confidence and self-esteem, deter private investment in housing and economic development, and discourage visitors, tourists and other groups with spending power that could assist economic regeneration. Efforts to enhance the local image, improve the natural environment, alter external perceptions and re-brand the place in a more positive way may be an essential component of a broader regeneration strategy aimed at developing a new economic structure. In other words, physical transformation may need to be accompanied by symbolic change.
- F20 Culture and sport has demonstrated that it can play a key role in achieving this – while making a major contribution to employment, especially in the growing creative industries that now account for 8% of the UK's GDP. The London 2012 Olympic Games and Paralympic Games will transform the heart of East London, while programmes like DCMS's Sea Change Programme, provide a great opportunity for culture to play a key role in supporting or kick-starting regeneration in English seaside resorts.
- F21 Place branding at the city-level may have bigger effects in the short-term than at neighbourhood level because cities are more complex entities with higher profiles and more distinctive identities, and

<sup>87</sup> Source: *Regenerating the English Coalfields – interim evaluation of the coalfield regeneration programmes*, Communities and Local Government, 2007

therefore more opportunities for positive attributes to be picked out and promoted.

## Improving the prospects for people

- F22 Successful regeneration cannot be achieved by improving the physical environment alone. Targeted activity is also needed to improve the prospects for people and ensure they can connect to opportunities.

### Educational participation and attainment

- F23 There are several reasons why education often features as a component of regeneration. Low educational attainment is both a cause and effect of poverty and deprivation. 'Learning' and 'earning' were not always linked in working people's minds when there were many well-paid manual jobs available. However, changed circumstances mean that education now has a big influence on life chances and social mobility. The quality of local schools, access to knowledge through libraries and other facilities can also influence where people decide to live, thereby contributing to migration patterns. In addition, the quality of human capital influences the productivity and performance of the local economy.
- F24 Special education programmes can take a variety of forms. Enhanced pre-school provision through better nurseries and other facilities has become attractive because of the argument that early intervention is most effective. Poor performing schools may also have additional teachers to reduce class sizes, a stronger vocational curriculum to balance against traditional academic options, and all sorts of incentives to reduce absenteeism, raise motivation and encourage pupils to stay on after compulsory leaving age. Areas with disproportionate numbers of immigrants and asylum seekers may also get additional language provision to help people integrate into a new society. Being part of an area regeneration programme confers several advantages to these initiatives, including links to employers and better awareness of labour market opportunities for school leavers and others. There are also better opportunities to engage parents and other influential local people in a common agenda concerned with lifting expectations, raising standards and generally encouraging all kinds of learning activities among different groups in the community.

### Vocational skills and employability

- F25 Low skills and employability make people more vulnerable to unemployment and often result from long-term unemployment. Consequently regeneration policies that aim to tackle high unemployment and worklessness frequently involve additional local measures to supplement and enhance the mainstream provision available through Jobcentre Plus and related government programmes with more flexible, personalised and intensive support. Such activities have relatively low unit costs per person and high immediate impact.

- F26 Some start with pro-active outreach activities to encourage people who are demoralised and disconnected from the labour market to begin the journey back to work, through individual mentoring, guidance and confidence building. This may be followed-up by specialist support services to address particular barriers to work such as illiteracy, innumeracy, ill-health, addictions, convictions and homelessness. Vocational training to improve specific work skills is another optional element of the package. Retraining may be particularly important in a context of economic change and restructuring. The final stages often involve practical help for people to secure recruitment to particular vacancies, followed by measures to help them retain their jobs and hopefully progress to higher-paid, more secure positions.

### **Coalfields Regeneration: Blyth Valley and Wansbeck**

Skillsbuilder is a national Coalfields Regeneration Trust project managed by Barnsley Community Build to match ex-miners to construction sector recruitment needs. The project exploits the close match between miners' skills, their work ethic, health and safety awareness, hand-eye co-ordination, life skills, maturity, and teamwork – to construction sector needs. Without Coalfields Regeneration Trust grant funding the project would not have emerged at all. The outputs may have been achieved through other mechanisms but the project manager does not believe these would have been quality jobs or sustainable employment – miners might have instead found work as HGV drivers or shelf stackers. At £5,500 per job outcome it is believed the project offers very competitive value for money and was a genuinely effective vehicle for delivering the most appropriate outputs required locally.<sup>88</sup>

- F27 This is a challenging agenda with many pitfalls as well as possibilities. Such actions depend on vacancies being available and accessible, but there are obviously fewer of them in 'slack' labour markets with low demand. Many employers are sceptical of people who have been out of work for some time and may only offer relatively unattractive, hard-to-fill positions, especially where they can pick and choose between applicants. Displacement and substitution effects may be significant where vacancies are not hard-to-fill, in which case people may be recycled in and out of jobs and struggle to progress towards more rewarding posts with better prospects. Integration with job creation programmes is an important message.

### **Community morale and confidence**

- F28 Sustained economic decline and worklessness have had devastating effects on some communities, creating internal tensions, suspicion about people in authority, hostility to incomers, and conflict over access to scarce resources, including housing and public services. Rebuilding morale and confidence is a slow and difficult process but it may be vital

<sup>88</sup> *Regenerating the English Coalfields – interim evaluation of the coalfield regeneration programmes, Communities and Local Government 2007*



to restoring a sense of normality and stability in the community, including tolerance and mutual understanding of social diversity.

- F29 Community regeneration may involve efforts to improve community-based facilities of all kinds, together with opportunities to increase social interaction through sport, leisure and other activities. Facilities for young people may receive special attention as a precautionary policy. Arts and culture may also be useful ways of encouraging wider participation and improving morale in distressed communities. The sequence with which different actions are programmed will depend greatly on local circumstances and priorities.

### Improved family support, healthcare and related services

- F30 Areas in need of regeneration often experience higher levels of family breakdown, ill-health, social distress and consequent demand for enhanced public services. Another argument for increased resources is that existing services are stretched by more intense pressure from concentrations of poverty and large-scale immigration. The capacity and quality of services and amenities – health and social care facilities, public transport, police and environmental services – may suffer from the extra stresses and strains present in such areas.
- F31 The interrelated nature of many social problems also demands additional efforts to coordinate and connect public services to ensure a seamless service. The logic of tying this in with a regeneration framework is that it provides the impetus and structure within which a coherent strategy of mainstream service enhancement can be formulated and delivered. If organised effectively such that the learning and principles are properly incorporated into mainstream policies, it should not need to be a permanent arrangement.

### Improving the wider economy

- F32 Annex B emphasised the importance of the strength of the sub-regional economy in affecting how places respond to economic shocks and this was developed in annex E as an explicit criterion for prioritisation. It logically follows that regeneration activity should look to improve this.
- F33 An important point to emphasise here is that this activity does and should not necessarily be located within deprived areas themselves through accessibility to deprived areas is important. The type of jobs should also be carefully considered – as high skilled agglomerations may not meet the needs of deprived areas, and benefits are more likely to be widely dispersed as jobs are filled by workers commuting long distances. The appropriate spatial level for making decisions on where to focus efforts to improve the wider economy may be the sub-regional or even regional level, where proper account can be given to the relative costs and benefits of the activity.

### Self-employment and small business development

- F34 Depressed localities tend to experience lower rates of new business formation and growth, and higher rates of failure. This may reflect weaker local demand for their products and services as well as poorer supply side conditions, including access to finance and entrepreneurial skills. In addition to rectifying such differences, another reason for supporting self-employment is to give people who face disadvantages in the labour market (such as ethnic minorities) an additional option for generating an income, perhaps by serving untapped local markets with distinctive products and services. Enterprise support is also sometimes seen as a way to formalise the informal economy and offer people an alternative to welfare.
- F35 Regeneration programmes seek to promote enterprise through tailored advice, training and practical support for people interested in starting up and growing businesses. This tends to be a slow process with modest overall employment effects, partly because few new and small firms grow quickly and failure rates are high, especially among unqualified and inexperienced entrepreneurs. Indigenous firms are also more likely to imitate others and reproduce the existing economic structure than introduce novelty or innovation in terms of products and processes. A recurring dilemma in small business support is whether to devote more emphasis to 'quantity' or 'quality'. An indiscriminate approach generates larger numbers of start-ups, but with low growth rates, high failure rates and high displacement. A targeted approach yields a smaller volume of more successful and sustainable firms. There is debate about the relative merits of each and both tend to be pursued in practice, through a segmented approach in which routine start-ups receive a basic service but high quality proposals get an enhanced package.



### Local Enterprise Growth Initiative: 'BE Enterprising'

This LEGI partnership – “BE Enterprising” – spans the areas of Derwentside, Easington, Sedgefield and the Wear Valley. The stated outcomes for this partnership’s programme are to increase:

- total entrepreneurial activity to the national average;
- the number of young people considering starting a business or self-employment;
- business productivity and survival rates;
- spend and activities of mainstream business support service providers in deprived neighbourhoods; and
- VAT business registrations to exceed the county average

One of the partnership’s projects is aimed at attracting appropriate inward investment. This partnership is attempting to develop three local clusters and has employed the services of the Derwentside Engineering Forum to attract engineering investment to the South West Durham area. In the past this forum has attracted investment from international companies (<http://www.def.org.uk/>) – sealing a joint venture with Chinese company Microtac in 2004.

Working in partnership with the Derwentside Engineering Forum, this LEGI partnership is trying to attract investment to the area, in order to benefit from the spillover effects that will occur to the procurement industry, giving individuals in the local area the chance to be enterprising and creating from which they can develop their skills in the engineering/manufacturing sector.<sup>89</sup>

### Inward investment in industry and distribution

F36 Attracting inward investment is often seen as a simpler, speedier and less risky way of boosting jobs and diversifying a local economy than through supporting small firms, especially if a large company with established external markets can be persuaded to open a branch or subsidiary in the area. Once again, both approaches are often pursued in practice, although with differences of emphasis between areas depending on their circumstances. One of the attractions of manufacturing or distribution plants is the prospect of well-paid manual jobs to replace those lost through deindustrialisation. Another is the prospect of sizeable multiplier effects through the supply chain and service providers. Such operations typically require large flat sites that are serviced with modern infrastructure and access roads. There have been fewer mobile manufacturing plants available for localities to

<sup>89</sup> Source: *Creating Enterprising Communities within Derwentside, Easington, Sedgefield and Wear Valley – Year 1 (2006/07) Summary Report, March 2007*

compete for within Britain during the last decade with the rise of lower cost locations elsewhere. Nevertheless, many places still house a number of successful manufacturing enterprises and it is important to create suitable conditions to retain and accommodate their growth.

### **Urban Regeneration Companies: New East Manchester**

New East Manchester (NEM)'s economic programme has three main aims: to reduce worklessness, encourage entrepreneurship and improve business competitiveness. It has tried to make the area more attractive to inward investment and growing companies by providing infrastructure, support and training to firms and potential employees and by strengthening the indigenous business base.

Establishing Central Park as a centre of excellence for the commercial development of ICT is one of NEM's key projects and of critical importance to East Manchester's future prospects. It is the largest economic development opportunity within the area and offers the greatest potential for securing new, high quality, inward investment and jobs. This is crucial since East Manchester has traditionally suffered from lack of investment, dereliction, decline of traditional manufacturing industry and high concentrations of unemployment and poverty. Central Park's prestigious quality is also of immense symbolic significance and a key part of attempts to lend the area a more attractive image.

NEM's initial aspirations for the Central Park were twofold. First they wanted to integrate separate land parcels to provide a high quality business and industrial park with a strong identity, high landscape quality and an effective management and maintenance programme. Second they wanted to provide a new central entrance and transport hub to improve access and connections and to form a gateway and symbol for the entire business park.

The Business Park has made substantial progress. Many of the key goals on site acquisition, remediation and provision of a high quality business park with good maintenance arrangements have been successfully achieved. Good progress has also been made in delivering the outputs required by the different funding agencies. Management and implementation arrangements have worked well. NEM have played a critical role in delivery. In total, 39 jobs have been created by the project and 1,000 preserved.<sup>90</sup>

### **Retail, cultural, tourism, sporting and leisure developments**

F37 Following the decline in mobile manufacturing plants, attention has shifted towards a range of other activities collectively driven by increased consumer spending, including retail, recreation and entertainment. The continuing reorganisation of the economy towards

<sup>90</sup> Source: *New Evaluated Manchester – Interim evaluation of New East Manchester. A report by the European Institute of Urban Affairs, Liverpool John Moores University*

services has also encouraged regeneration agencies to target these sectors for investment.

- F38 One of the perceived advantages of retail and leisure development is the availability of sizeable numbers of entry-level jobs accessible to unemployed people. Redevelopment is most effective where it proceeds hand-in-hand with bespoke training and recruitment programmes to prepare people for the vacancies being created. Retail chains have often been willing participants in regeneration schemes because of difficulties securing planning permission elsewhere and because recruitment for these vacancies is normally local anyway. A disadvantage is that the vacancies are often part-time, relatively low paid and unattractive to many men. Retail regeneration tends to take one of two forms: modest scale local developments in areas that are currently under-served by retail outlets (perhaps because the population is expanding), or larger-scale projects in areas that have the potential to serve wider catchments because of their good location in relation to regional transport networks.
- F39 Tourism and hospitality industries offer the possibility of strengthening the externally traded sector of the local economy as well as retaining local spending power. The growth in low cost air travel, weekend breaks and business conferences have increased the opportunities for cities to generate external income in this way. Cities compete by improving their museums, art galleries and other cultural amenities, organising music and arts festivals, and bidding to host major sporting spectacles. They also support the development of stylish restaurants, bars and hotels for the same reason. Flagship buildings designed by signature architects can help to attract popular attention and alter public perceptions. Meanwhile, rural areas provide access to the natural environment and low key recreation and physical activity. Encouraging more people to take advantage of the outdoors provides health benefits for the tourists as well as an income stream for communities in rural areas and coastal towns.

## Call centres and other office-based services

- F40 A different approach is required to attract and support the growth of business services, including call centres, data processing, IT support, administrative support and outsourced 'shared services'. They rely on ready availability of modestly priced premises and white-collar labour. A responsive property market and ready supply of labour are important assets for firms, enabling them to adjust the scale of their operations more quickly to cope with changing market conditions, which is especially important in these volatile sectors that also tend to experience high labour turnover. Many regional cities offer superior connectivity, better infrastructure and a deeper labour pool than small cities and towns. Yet the smaller communities may provide a more stable and committed work force. And many entrepreneurs want to set

up businesses in the countryside where they and their staff can have access to the outdoors. Innovation and entrepreneurship should be encouraged wherever it occurs. Success can mean several hundred jobs are created on a particular site as a result of a single corporate decision.

## Bringing the typology together – the importance of a holistic approach

- F41 Some kinds of regeneration activity do not fit neatly into any of these categories since they are multi-dimensional and satisfy several objectives at once. Unpacking regeneration into a typology can be artificial in that many actions are interdependent and are pursued together as a package of measures intended to reinforce each other, rather than separate choices.
- F42 The phasing of regeneration actions may be crucial to the significance of these effects and to the realisation of long-term benefits. Some measures are best pursued in sequence in order to limit dislocation, for example firms and households need to be prepared to meet rising property costs. Early investment in public transport infrastructure is also important before new households moving into regeneration areas get accustomed to using their cars to commute to work. Yet in rural areas, lack of public transport should not be the sole determining factor against affordable housing projects. Other measures need to be implemented in parallel in order to maximise their chances of success, for example synchronised demand- and supply-side labour market programmes to prepare people for vacancies as they are created, rather than training people for 'stock'. While there are certain basic principles of this kind that may be followed, regeneration is not a formula whose sequence can be readily prescribed since so much depends on local circumstances and it is important that flexibility is retained.

# Annex G: Illustrating how the framework could work

- G1 Annexes E and F discuss in detail the analysis of the nature of the regeneration challenge, where priority should be given and a typology for how to intervene. This Annex provides a brief illustration of how this analysis can be brought together to inform the development of regeneration strategies.
- G2 It is important to reemphasise the message of chapter 3 that decisions about how and where to target should be made locally. This recognises the fact that every area is different and will require a slightly nuanced approach that responds to the specific local circumstances.
- G3 The intention of this annex is not to contradict this and provide a mechanistic decision tool. Instead it is to illustrate a potential approach that draws together the analysis and demonstrates how some of the tools proposed in the framework could be used in practice.

## Bringing the criteria together

- G4 While individually all of the criteria discussed in annex E are important, it is collectively where they really form a strong analysis of the regeneration challenge and can inform the most effective way to regenerate a deprived area.
- G5 For example, an isolated deprived area situated within a strong economic sub-region would require significantly different regeneration to a town in a weak economy where a third of the population lived in the most deprived areas in the country.
- G6 Using the typology of regeneration activity<sup>91</sup> alongside the criteria, it is possible to begin to develop a coherent and evidenced regeneration strategy for an area. The table below is a demonstration of how, depending upon the particular circumstances, regeneration activities could be co-ordinated and the level of intensity they would be needed to transform the area.

<sup>91</sup> As discussed in detail in Annex F, the typology for regeneration activity proposes three groups: A) Improving the physical environment; B) Improving the prospects for people; and C) Improving the wider economy.

### Using the criteria

Criterion 1	Criterion 2	Criterion 3	Criterion 4	Interventions	Scale needed
Any area with a threshold level of deprivation	Strong economic sub-region	High churn neighbourhood	Improving	A	Low
			Deteriorating	A	Low
		Low churn neighbourhood	Improving	B	Low
			Deteriorating	A B	Medium
		Isolate neighbourhood	Improving	B	Low
			Deteriorating	A B	Medium
	Weak economic sub-region	High churn neighbourhood	Improving	C	Low
			Deteriorating	C	Low
		Low churn neighbourhood	Improving	B C	Low
			Deteriorating	A B C	Medium
		Isolate neighbourhood	Improving	B C	Low
			Deteriorating	A B C	Medium
Areas with high concentrations of deprivation	Strong economic sub-region	High churn neighbourhood	Improving	B	Low
			Deteriorating	B	Medium
		Low churn neighbourhood	Improving	B	Low
			Deteriorating	A B	Medium
		Isolate neighbourhood	Improving	A B	Medium
			Deteriorating	A B	High
	Weak economic sub-region	High churn neighbourhood	Improving	C	Low
			Deteriorating	B C	High
		Low churn neighbourhood	Improving	B C	Medium
			Deteriorating	A B C	High
		Isolate neighbourhood	Improving	A B C	Medium
			Deteriorating	A B C	High

- G7 This approach will not work everywhere as both the criteria and typology are continuums rather than discrete and therefore should be supplemented with more detailed local knowledge of market conditions and the opportunities in the area.

### Illustrating this approach

- G8 The following three examples develop this further; demonstrating for different places how a regeneration strategy could be developed using this approach. Each of the examples are for fictitious places: County "X"; City "Y" and Town "Z".

### **County “X”**

This is a county in the north of the country that has a number of small and medium sized towns that used to specialise in manufacturing. Global competition has eroded away the industry leaving behind a legacy of unemployment, a relatively low skills base, a low-value added industrial base and poor quality transport infrastructure. Within these towns there are large concentrations of deprivation, particularly in areas around the town centre, which is dominated by poor quality terrace housing, occupied by people who are long-term workless and trapped because of the low value of their property. Over the last five years, conditions in the town overall have improved, as some new housing has been built on the outskirts, but within the deprived inner core conditions are getting progressively worse.

The first step for regenerating the towns in County “X” would be to look at improving the wider sub-regional economy. This could involve a combination of identifying a couple of strategic employment sites (for example, town centres), initially tailored to the skills of the local population, within the sub-region and investing in these to attract new business. Alongside this a smaller scale, organic process is needed within the deprived areas work with residents to stimulate enterprise and actively engage with the workless population to ready them for the new job opportunities. As the area begins to turn around, there may be scope to drive the regeneration further, through attempts to improve the physical environment in the deprived areas. This could entail a combination of investing in improving the housing stock and quality of the public realm to make the area more attractive to live and integrate within the wider housing market.

Successful regeneration in this area will be a long-term process and require a concerted effort from a number of public agencies to achieve. Given the scale of the challenge it should be a priority area, but to ensure value for money an effective sequencing of interventions will be vital.

### **City “Y”**

This is a large, metropolitan city forming the fulcrum for the regional economy and with good connections to other parts of the country. Overall the city’s economy is strong; having a large diverse industrial base and a number of clusters of high-value added industry. The city is not without problems and has significant concentrations of deprivation in the suburbs. However, within these deprived areas, some are high churn areas, with a significant proportion of students and new migrants moving in and out and overall the areas are slowly improving in response to previous regeneration programmes.

This area should be a priority for regeneration, balancing a real need alongside an opportunity to make significant improvements. Within the city there will be little need for regeneration activity to boost demand in the economy and activity should be more focused on tackling problems within the deprived areas and ensuring people are connected to the wider opportunities. A strong focus should be on reducing worklessness through targeted training and work programmes, joined-up service provision and improved low-cost transport provision. In the more isolated and low churn areas, there may be a case for improving the physical environment in these areas, particularly the housing stock.

There is real potential to improve the lives of people within these deprived areas through connecting them to opportunity via targeted regeneration. However, some caution is needed to ensure that any benefits are truly additional and account is taken of potential displacement and deadweight and also recognition that there may be a threshold of improvement as inevitably in a city of this size there will always be richer and poorer parts of the city as a result of the sorting effects of the housing market.



**Town "Z"**

This is a peripheral market town in the south of the country, outside any city-region boundary. The vast majority of the town is not very deprived however there are a couple of pockets of severe deprivation on the edge of town; co-terminus with a concentration of social housing and where the resident population is isolated from the limited employment opportunities available in the wider labour market.

Given the scale of the challenge and limited opportunities to achieve significant change in these areas, this area should be a lower priority and responsibility should fall more on the local authority to improve the areas. This could be done through a limited capital investment programme, focused in the town centre and aimed at remediating any derelict sites to create some new employment opportunities. Alongside this, some targeted interventions in the deprived areas, co-ordinated alongside mainstream provision of services should be aimed at improving the prospects for the people living in these areas.

# Annex H: Appraisal and evaluation

- H1 Given resources are scarce and have competing uses; we need a process for prioritising regeneration activity. Economic appraisal, “the process of defining objectives, examining options and weighing up the costs, benefits, risks and uncertainties of those options before a decision is made”,<sup>92</sup> provides a tool for doing this and ensuring that investments deliver value for money.
- H2 The broad principles of appraisal should be used as part of all good policy development and should consider the following kinds of questions:
- What is the rationale for this intervention?
  - What are the desired objectives and outcomes of the intervention?
  - Which interventions might achieve the objectives? Which option offers the best way of achieving the objectives?
  - What other consequences will the intervention have, besides those which are directly intended?
  - Are there better ways of achieving the objective?
  - Are there better uses of these resources?
- H3 Regeneration has had a reasonably strong tradition of appraisal and this framework re-emphasises the importance of appraisal in order to ensure that investment in regeneration achieves value for money.
- H4 The starting point for good practice in economic appraisal should be HM Treasury’s appraisal guidance in the Green Book.<sup>93</sup> This provides details on the process involved in good appraisal and a discussion of the appropriate techniques. For regeneration, it is also worth consulting the “3Rs guidance”<sup>94</sup>, which provides more specific details on appraising projects with a spatial impact.

<sup>92</sup> Appraisal and Evaluation in Central Government, HM Treasury (The “Green Book”)

<sup>93</sup> Ibid.

<sup>94</sup> *Assessing the Impacts of Spatial Interventions: Regeneration, Renewal and Regional Development “The 3Rs guidance”*, Communities and Local Government (formerly ODPM – 2004)

- H5 When analysing the benefits, it is important that the net additional benefit of the regeneration activity is determined. This will require the appraisal to take account of the following factors.<sup>95</sup>
- leakage effects: the proportion of benefits that benefit those outside of the regeneration project's target area
  - displacement: the proportion of project benefits accounted for by reduced outputs elsewhere in the target area
  - substitution effects: where a firm substitutes one activity for a similar one to take advantage of public sector assistance
  - multiplier effects: further economic activity in the area associated with additional local income and longer term development needs (ie complementary services)
  - equality: the effects of the proposed activity on particular groups.
- H6 Any economic appraisal should also reflect the temporal impacts of the regeneration scheme, to not only reflect the long-term nature of regeneration and hence the need to discount benefits but also a reflection of the deadweight costs associated with not intervening in the area. An under-used element of appraisal techniques is the use of distributional weighting. Where possible and appropriate, account should also be given to the distributional impact, which will be of particular importance in regeneration, because of the focus on deprived areas.<sup>96</sup>
- H7 Equally as important as good appraisal is the need to evaluate regeneration projects and programmes. Evaluation is not only important from an accountability perspective, to ensure that policies are having their intended impact and achieving value for money, but is also vital in providing lessons for future interventions and ensuring that future regeneration will be more effective.
- H8 Evaluations can be resource intensive and therefore the scale of the evaluation should be commensurate with the size of the original programme. Also, effort should be taken to do joint evaluations, where appropriate, in order to achieve economies of scale and take advantage of opportunities for greater comparability.

95 More details on these can be found in English Partnerships, *Additionality Guide*, (2004)

96 For more details on this consult Annex 5 of the Green Book.

# Annex I: Delivery vehicles

## Special Delivery Organisations

- I1 A variety of dedicated special delivery organisations (SDOs) such as economic development companies, urban regeneration companies, urban development corporations, housing companies and housing market renewal partnerships etc, exist to drive regeneration projects. It may also be possible for established vehicles such as Local Improvement Finance Trust initiatives (LIFTs), established for health investment and Local Education Partnerships (LEPs), established for education investment, to take on a wider role to drive regeneration.

### Urban Development Companies

Urban Development Corporations (UDCs) are non-departmental **public bodies** which were established under the Local Government, Planning and Land Act 1980. They are limited life bodies tasked with a broad remit to secure the regeneration of their designated areas.

All UDCs have the following powers:

- bringing land and buildings into effective use;
- encouraging the development of existing and new industry and commerce;
- creating an attractive environment; and
- ensuring that housing and social facilities are available to encourage people to live and work in the area.

- I2 Since 2000 the URC programme has been very successful in addressing difficult and challenging physical regeneration programmes in 22 urban areas. Local authorities and their delivery partners may also wish to consider the option of establishing an economic development company. This could include situations where an URC wishes to take on wider functions. EDCs have already been set up in Sheffield, Liverpool and Hull and Plymouth.

### Example: Sheffield Economic Development Company

**Creative Sheffield** was launched in January 2008 and was the first EDC in England. It merged Sheffield One URC and Sheffield First for Investment (Sheffield's inward investment agency). Key functions of Creative Sheffield include the attraction of quality inward investment into the city; developing the city's physical infrastructure to internationally competitive standards; developing initiatives that will promote the growth of the city's scientific, creative and cultural knowledge base; and marketing the city to achieving a positive shift in perceptions of Sheffield's image and reputation. Creative Sheffield will also work within the city's overall strategy to ensure that there are close connections with other programmes addressing skills, worklessness and social equity.

## Special Purpose Vehicles

- 13 Many local authorities own very considerable equity in both operational and non-operational property assets and hold land suitable for development. Some authorities are now exploring whether to use the equity in these assets for re-investment in regeneration projects. They are considering whether to set up 'local asset based delivery vehicles' in partnership with private investors and developers. The principles underlying these vehicles have already been successfully tested at a regional level (for example, Blueprint and Buildings for Business).

### Example: Igloo Regeneration Fund

Igloo regeneration fund is a £200m limited partnership fund with initial equity provided by Morley Fund Managers on behalf of Norwich Union Funds. It is the first regeneration fund for financial institutions. Igloo has a clear development focus on mixed use, environmentally sustainable, urban renaissance projects in the top twenty cities in the UK. There is a policy of retaining regeneration investments over the longer term to maximise return.

### Example: English cities fund

The English cities fund (ECF) provides an example of a potential institutional funding route in locations with assisted area status with risk reduction through a partnership structure supported by EU funding. Current projects include Clayton Brook (Manchester), Merchant Gate (Wakefield), Chapel Street (Salford), and Canning Town (Newham). It is a partnership involving Legal & General on the equity side, AMEC on the construction/development side and English Partnerships.

## Local Education Partnerships

The Building Schools for the Future (BSF) programme was launched in February 2004 as a commitment to rebuild and renew the entire secondary school estate over a 15 year period. In addition, BSF has a broader community regeneration role which has been further strengthened through the publication by DCSF of the Children's Plan and its desire to join up local service provision. DCSF funding for the BSF programme is currently around £2.5bn p.a. This unprecedented level of investment is delivered through local education partnerships (LEPs) in the majority of local authority areas.

The LEP is a joint venture company for local delivery of the BSF programme, formed by the local authority, the private sector partner (PSP) and BSFI (Building Schools for the Future Investments LLP is a joint venture between DCSF and PUK for investment in the risk capital of LEPs and their subsidiaries. The standard LEP model anticipates the PSP owning 80 per cent of the shares and the local authority and BSFI owning 10 per cent each. Following a rigorous procurement process, LEPs are established to develop and deliver new BSF projects during a period of exclusivity (usually 10 years).

The LEP procurement model is fundamentally about bringing together the public and private sectors in a partnership with aligned interests. Therefore, it is important that each of the shareholders invest on the 80:10:10 basis described above in both the LEP and its subsidiary PFI companies. This tangible financial commitment aligns interests as the public and private sector investors have the same interest in protecting and being accountable for their investments, albeit with their different underlying purpose. Such an alignment of economic interests and commonality of shareholdings between LEPs and PFI companies is important as a basis for the partnering approach that is key to the successful delivery of BSF.

The core role of the LEP is to work with its supply chain to deliver new projects and to manage its portfolio of operational projects leading to efficiency savings. It was always anticipated that local authorities would be able to use LEPs to procure other infrastructure assets in addition to schools. To date, twelve LEPs have been established through the BSF programme and at least a further eight will be operational by April 2009.

DCSF and PUK invest in the risk capital of LEPs and their subsidiary PFI companies through BSFI to promote the objectives of the national BSF programme. This investment, which is approved by HM Treasury, ensures that the Government is a shareholder and has visibility and influence at the local level. An independent review by KPMG has recently recognised the benefits of such investment and that it is making an effective contribution.

## LEPs as local procurement and delivery vehicles

The Children's Plan promotes the co-location of services:

*"Local areas are increasingly co-locating services providing integrated support to children, young people and their families. We will run our capital programmes...in a simple, coherent and consistent manner to help agencies to further increase co-location; for example all new schools are being built with the potential for joining up local mainstream services".*

Examples of co-located services on school sites could include: libraries; GP surgeries and other health services; policing; leisure and sport; housing and child welfare or broader social services. BSF offers significant leverage to deliver the co-location of services and, as schools represent the mainstay of a local authority's estate, they should be the centrepieces of local authorities' wider regeneration plans.

DCSF, Partnerships for Schools (PFS) and BSFI support the delivery of non-school assets through LEPs when this offers the best value for money at the local level. The LEP is intended to be a strategic partner of the Local Authority, a strong local business with substantial delivery capacity and local authorities are encouraged to consider seriously the benefits of procuring through the LEP. Although the initial focus has understandably been on the delivery of schools, local authorities are showing an increasing appetite to use the LEP as the local procurement and delivery vehicle for further social infrastructure, such as leisure and social care facilities.

# Annex J: Impact assessment



Summary: Intervention & Options		
<b>Department /Agency:</b> <b>Communities and Local Government</b>	<b>Title:</b> <b>Impact Assessment of the Regeneration Framework</b>	
<b>Stage:</b> Consultation	<b>Version:</b>	<b>Date:</b> 17 July 2008
<b>Related Publications:</b> Transforming places; changing lives – A framework for regeneration		
<b>Contact for enquiries:</b> Roger Wilshaw <b>Telephone:</b> 020 7944 8948		

**What is the problem under consideration? Why is government intervention necessary?**

Ensuring our national prosperity, competitiveness and wellbeing requires us to refocus our current approach towards regeneration.

The 2007 Sub-National Review of Economic Development and Regeneration identified a need for work to improve the co-ordination and prioritisation of regeneration funding, taking into account the changing delivery landscape for regeneration.

**What are the policy objectives and the intended effects?**

To ensure regeneration is targeted on improving the lives of the most deprived in society, this framework proposes three priority outcomes. They will guide targets set for the Government expenditure on regeneration (described above) in future. These are:

- improved economic performance in deprived areas;
- improved rates of work and enterprise in deprived areas; and
- creating places where people want to live and work

**What policy options have been considered? Please justify any preferred option.**

We are consulting on policy options. Our preferred option is based on four key principles:

- (1) That there is clarity of the different roles of regeneration bodies
- (2) That regeneration focuses on priority outcomes for regeneration
- (3) Allowing local and regional flexibility to determine geographical priorities
- (4) Empowering the local community to engage in regeneration

**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?**

Initially as part of the analysis of consultation responses and going forward through a renewed emphasis on appraisal and evaluation through the Framework.

**Ministerial Sign-off** For Impact Assessments:

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister:

.....Date:

## Summary: Analysis & Evidence

### Description: Consult on the regeneration framework

COSTS	ANNUAL COSTS		Description and scale of <b>key monetised costs</b> by ‘main affected groups’
	One-off (Transition)	Yrs	
	£ -		
	Average Annual Cost (excluding one-off)		
	£ -		
	Total Cost (PV)		£ -
Other <b>key non-monetised costs</b> by ‘main affected groups’			
For the public sector, there may be cost in moving responsibilities between agencies, as well as for regeneration bodies in commissioning further analysis. Consultation costs may also be substantive. Please see Analysis and Evidence section for further discussion.			

BENEFITS	ANNUAL BENEFITS		Description and scale of <b>key monetised benefits</b> by 'main affected groups'
	One-off	Yrs	
	£		
	Average Annual Benefit(excluding one-off)		
	£		
		Total Benefit (PV)	£
Other <b>key non-monetised benefits</b> by 'main affected groups'			
Non-monetised benefits may include more effective intervention by improving the value for money of regeneration activities, through a combination of greater clarity, flexibility, responsiveness and co-ordination. Please see Analysis and Evidence section for further discussion.			

#### Key Assumptions/Sensitivities/Risks

At this stage we have adopted a qualitative approach to assessing the costs and benefits and will look to use the consultation to elicit some monetised costs. Please see Analysis and Evidence section for further discussion.

Price BaseYear	Time PeriodYears	Net Benefit Range (NPV) £ -		NET BENEFIT (NPV Best estimate) £ -	
What is the geographic coverage of the policy/option?				England	
On what date will the policy be implemented?				Not yet known	
Which organisation(s) will enforce the policy?				Not yet known	
What is the total annual cost of enforcement for these organisations?				£ -	
Does enforcement comply with Hampton principles?				Yes/No	
Will implementation go beyond minimum EU requirements?				Yes/No	
What is the value of the proposed off-setting measure per year?				£ -	
What is the value of changes in greenhouse gas emissions?				£ -	
Will the proposal have a significant impact on competition?				No	
Annual cost (£-£) per organisation(excluding one-off)		Micro	Small	Medium	Large
Are any of these organisations exempt?		Yes/No	Yes/No	N/A	N/A

#### Impact on Admin Burdens Baseline (2005 Prices)

(Increase – Decrease)

Increase of £                      Decrease of £                      **Net Impact** £

Key:

**Annual costs and benefits: Constant Prices**

**(Net) Present Value**

## Evidence Base (for summary sheets)

### Background and Overview

#### Why are we publishing the Framework?

- J1 During the last ten years, significant progress has been made in regenerating areas that have long suffered from underinvestment and neglect, and in reducing disparities between areas. The Government has set challenging targets to ensure that people living in disadvantaged areas have the opportunity to contribute to, and share in, economic growth. Narrowing the persistent gap in performance between regions, sub-regions, districts and neighbourhoods is central to achieving this goal.
- J2 The gap between the most deprived areas and the rest is beginning to narrow. However, there are still persistent gaps between some regions, and between communities within regions. There remains much to be done to reverse decline and ensure that particular groups do not get left behind.
- J3 2007's HMT-led review of Sub-National Economic Development and Regeneration (the SNR) said that sustainable economic development requires sustainable investment by the private sector in areas in need of regeneration. The SNR proposes that local authorities should lead efforts to promote local prosperity, incentivised and supported by regional and central government agencies. The SNR sets out the need for:

*A clear framework for regeneration, to provide a clearer link between neighbourhood renewal and wider regeneration and economic interventions. This will help ensure regeneration interventions are co-ordinated with regional strategies so they are focused on areas with potential for sustainable economic growth and for private sector investment over the longer term. Improving the consistency of appraisal and evaluation will be a key element of the framework; ensuring interventions are better targeted on tackling market failures.*

- J4 In addition to this, the delivery landscape for regeneration is changing and we need to take account of this. For example, the new Homes and Communities Agency will bring together the work of English Partnerships and the Housing Corporation – bringing responsibility for housing and regeneration together under one single agency.
- J5 Second, having improved socio-economic outcomes for those who live in the most deprived areas and a narrowing of the gap between the most deprived areas and the rest, the time is right to shift our emphasis on to tackling the remaining economic challenges that hold back the most deprived in society. It has proved difficult to tackle those

challenges and attract inward investment while neighbourhoods were blighted by poor housing; crime; and low educational attainment.

- J6 The government has also identified regeneration as one of nine Departmental public value reviews, aimed at improving the value-for-money of regeneration spending over this Comprehensive Spending Review period and laying the groundwork for the next spending review.

### Why is Government intervention necessary?

- J7 Regeneration is the integrated process of reversing economic, social and physical decline in areas where market forces will not do this without intervention by government.
- J8 Market failure can hinder economic growth of some sub-regional economies, parts of cities and towns, and some rural areas. This failure can lead to social exclusion and economic under-performance and, in many areas, to particularly high rates of worklessness.
- J9 In these areas, public sector investment in regeneration can provide the “enabling conditions” which reduce risk for private investors. Indeed, regeneration is successful when residents and institutional investors make long-term commitments to an area. Regeneration investments are one element of Government’s efforts to stimulate economic growth. By tackling the causes rather than just the symptoms of decline, we can enable the most deprived areas to contribute to, as well as benefit from, economic growth over the longer term.
- J10 There are also social and economic arguments for investment in regeneration:

- **Equity**

Regeneration, where successful, will improve the lives of those living in the most deprived neighbourhoods. Decades of de-industrialisation and economic restructuring has adversely affected millions of people. Despite significant investment and improvement in deprived areas over the past ten years, there is yet more to do to improve the economic and social outcomes for those living in our most deprived communities.

- **Efficiency**

There are also strong efficiency grounds for investing in regeneration. Barriers still exist in deprived areas that prevent markets from working effectively, reducing the scope for private investment. They will vary from place-to-place, but can include externalities (where there are costs or benefits to an activity that people or firms do not take into account), public goods (goods that have benefits that firms are unable to profit from), or information failures (where people or firms are unaware of true costs or benefits of an activity). By tackling such barriers and the more effective use of mainstream spending in areas like education and

health we can extend economic opportunity to the most deprived in our society.

- ***Costs to the taxpayer***

Over a fifth of people claiming Incapacity Benefit or Job Seekers Allowance live in the most deprived areas in England. Additionally, deprived areas depend more on other public services, including housing; policing; and health services, and there are physical costs of vandalism and higher levels of capital depreciation in such areas. Effective regeneration can help to significantly reduce the estimated £5.8bn the government spends each year subsidising rather than transforming the lives of residents of deprived areas.

## **Policy Options**

J11 Two options have been set out in the consultation paper. They are:

- Option 1 – Do nothing
- Option 2 – Consult on the regeneration framework

### **Option 1**

J12 Option one would involve no change in the way that regeneration projects are currently delivered in England. At present, several agencies are responsible for regeneration, including, amongst others, Communities and Local Government, English Partnerships, regional development agencies, local authorities, as well as a raft of delivery agencies such as economic development companies. Decisions are often also made at a variety of spatial levels and driven by a plethora of different output and outcome targets.

J13 Currently, insufficient focus is given towards transforming the lives of the most deprived in society. Further more, doing nothing would also lead to a continuation of regeneration programmes focused on the processes involved rather than a shared strategy to transform a place.

### **Option 2**

J14 Consulting on the framework as it currently stands would involve making numerous changes to the way regeneration is delivered in England. These changes fall under four broad categories:

- ensuring clarity of roles;
- focusing on three priority outcomes for regeneration;
- allowing local and regional flexibility to deliver priorities; and
- empowering the local community to engage in regeneration.

### *Ensuring clarity of roles*

- J15 The framework provides greater clarity of roles for organisations involved in regeneration. The framework encourages regional development agencies (RDAs) to concentrate on regional economic development, while it suggests that local authorities focus on physical and environmental regeneration.
- J16 Under these new guidelines Communities and Local Government will monitor deprivation outcomes, based on their Departmental Strategic Objective, and promote a joined-up approach to regeneration, including promoting collaboration across traditional local authority boundaries, working with other government departments to deliver regeneration, and un-ringfencing funds to give local authorities more flexibility over funding arrangements for regeneration.
- J17 The framework suggests further collaboration between the Homes and Communities Agency (HCA), local authorities and RDAs in setting regional funding allocations for regeneration. These funding allocations should be consistent with regional strategies, LAA priorities, the local development framework and the sustainable community strategy. In addition, the HCA will work with local delivery partners to ensure that the transformation of current estates development of new estates is compatible with the three over-arching objectives of improving economic performance in deprived areas, improved rates of work and enterprise in deprived areas and creating places where people want to live and work.

### *Focusing on three priority outcomes for regeneration*

- J18 The framework proposes new success criteria for regeneration. To ensure regeneration is targeted on improving **the lives of the most deprived in society**, this framework proposes three **priority outcomes**. They will guide targets set for the Government expenditure on regeneration (described above) in future. These are:
- improving **economic performance in deprived areas**;
  - improving rates of **work and enterprise in deprived areas**; and
  - creating places where people **want to live and work**.

### *Allowing local and regional flexibility to deliver priorities*

- J19 The regeneration framework aims to improve upon the current system by encouraging local authorities, central government and other development agencies to approach the delivery and regeneration of areas in a more coherent manner.
- J20 Furthermore, the framework recommends the introduction of four criteria for assessing the scale, scope and nature of investment which is required in regeneration areas. The four criteria for assessing the particular need for intervention are:
- the level of deprivation;
  - the strength of the wider sub-regional economy;
  - the economic and social characteristics of the area; and
  - the dynamics of an area's economic and social development.

### *Empowering the local community to engage in regeneration*

- J21 The framework puts an increased emphasis on putting communities at the heart of the design and delivery of regeneration. **Community driven** regeneration can provide peer support and peer pressure to deliver improvements in the outcomes that matter most to the residents

## Assessment Method

- J22 Quantifying the costs and benefits of the framework at this stage would be extremely difficult as the framework is not a prescriptive document, suggesting the direction of travel for our regeneration partners.
- J23 Costs may be minimal, as this is guidance on how to make the best use of government regeneration funding to delivery partners. The framework does not place any additional regulations or requirements, and the benefits are not very tangible.
- J24 Quantifications could be misleading at this early consultation stage. We will look to use the consultation period to elicit monetised costs and benefits at a later stage. This will then inform the response to the consultation, and could determine the way in which the framework is implemented both by central government and by other delivery partners.

## Sectors Affected

- J25 It is expected that the framework will principally result in changes to public sector activities. Affected organisations may include – but are not limited to – members of local strategic partnerships, the Homes and Communities Agency, regional development agencies and central government departments.
- J26 There may also be second-order effects on the private sector but these will only be realised as and when the recommendations of the framework are adopted.

## Benefits and Costs

- J27 The following section provides a qualitative assessment of the costs and benefits of the main recommendations of the framework.

### Benefits

#### Ensuring Clarity of Roles

- J28 Tackling regeneration holistically with clear roles for the agencies involved and strong co-operation will improve the value for money of regeneration, ensuring that there is minimal duplication of effort and reduced costs in the long-run.
- J29 Greater clarity of roles will provide a more stable environment in which regeneration agencies and private sector organisations can engage in long-term planning. This will allow for greater alternative efficiency as regeneration schemes can be tailored to the individual needs of different areas.
- J30 Transaction costs should also be reduced, as clearer prioritisation and responsibility should reduce search costs and improve competition.

#### Focusing on priority outcomes for regeneration

- J31 The framework emphasises a renewed focus on regeneration activities to act as a vehicle for reducing the level of worklessness in the targeted regeneration area, as well as spurring on local economic performance. This should produce considerable savings, as obtaining planning permission often amounts to a significant proportion of development costs.
- J32 This has the potential for substantial longer-term savings for the public purse, by reducing the overall number of welfare recipients. Reducing worklessness and spurring local economic development should also serve as a welfare-enhancing measure for those who are taken off welfare and placed back in employment. A greater focus on the causes and not the symptoms of regeneration should lead to more sustainable results from regeneration expenditure.



- J33 Focusing on making places more attractive to live, through tackling market failures, will also be welfare enhancing and has the potential to boost economic performance by utilising resources more effectively.

### Allowing local and regional flexibility to deliver priorities

- J34 The recommendation of the regeneration framework to introduce four criteria for assessing the regeneration needs of different areas should lead to substantial costs savings, through a more analytical and evidence based approach to decision making and should therefore ensure that money is more effectively targeted at areas in need of regeneration. Where there is opportunity to achieve transformative change, this will lead to significant improvements in terms of value for money.
- J35 One of the criteria suggested involves the assessment of the dynamics of areas before attempting an intervention and so will ensure sizeable savings as regeneration money is not spent on those areas which may be already improving, ensuring that the benefits of regeneration are additional.
- J36 The use of a set of criteria should also enable greater transparency in the process of regeneration, and should provide a more effective way of making comparisons between dissimilar areas when making funding allocations. It is likely that these benefits will be minimal.

### Empowering the local community to engage in regeneration

- J37 In common with many other Communities and Local Government policies and frameworks, the regeneration framework aims to ensure that the local community engages in regeneration.
- J38 The underlying rationale behind this suggestion is that it will ensure that regeneration efforts accurately reflect the preferences of the affected local population, which are likely to vary over time and between places.
- J39 Encouraging involvement by the local community will lead to more effective utilisation of resources available through the third sector. Greater participation by the local community in the regeneration process may generate goodwill towards any development, and may therefore speed up the planning process, by reducing the number of local objections to plans.

## Costs

### Ensuring clarity of roles

- J40 There could be some transitional costs as agencies adjust to their new roles. The framework comes out at a time when the delivery landscape is already changing, and therefore these costs are expected to be minimal.

- J41 There is also a risk that the work of some agencies could become too focused, which could reduce the marginal potential to achieve economies of scale, and this may also force central government to play a co-ordination role between agencies, which could further push costs up.

### Focusing on priority outcomes for regeneration

- J42 The primary cost associated with a focus on tackling worklessness and slow economic development is that positive outcomes are only seen in the long-run, with short-run benefits minimal. Those who intend to move out of the regeneration area in the short-to-medium-term may not see any of the benefits of the development, but may bear the short-term costs from inconveniences associated with new developments. These benefits will be sizeable, but, as mentioned, there will be a distributional aspect to them.
- J43 In addition it may be difficult to quantify the links between the regeneration activity and the overall outcome, due to a lack of low-level economic data available, challenges of measuring causation and challenges in terms of limitations in analytical capacity that exists in regeneration bodies.

### Allowing local and regional flexibility to determine priorities

- J44 With an increased onus placed underpinning regeneration with analysis, there may be some costs to those areas with a weaker analytical capacity that may have to contract consultancy work out to the private sector.
- J45 Analysing the need for regeneration based on a set of four criteria will involve consultation between different bodies involved in regeneration, in order to collect the necessary data, and negotiate over responsibilities for this analysis. This is expected to add costs to the regeneration process.

### Empowering the local community to engage in regeneration

- J46 Giving those in the surrounding community a say in the determination of regeneration plans may open the process to the influence of special interest lobby groups. While this may give those who had previously had no say in the development of their area, some lobbying groups may be given disproportionate power, resulting in the effect that not all residents in the area see their preferences reflected in regeneration designs. These costs will probably be small, as consultations usually take into consideration the views of specific minority groups.
- J47 There will be costs associated with consulting the population of the area, especially if the regeneration is targeting vulnerable groups, as these groups may be difficult to canvass.

### Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	Yes
Small Firms Impact Test	No	Yes
Legal Aid	No	Yes
Sustainable Development	No	Yes
Carbon Assessment	No	Yes
Other Environment	No	Yes
Health Impact Assessment	No	Yes
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	Yes
Rural Proofing	No	Yes

## Annexes

### Regeneration Framework, Specific Impact Lists Checklist

#### Draft Responses

##### Competition Assessment

The framework is designed to enable public agencies to better administer regeneration policies, and will not have any direct impact upon the competition between businesses. However, comments on this topic may be made during the consultation period.

##### Small Firms Impact Assessment

The framework is designed to simplify regeneration and improve economic growth overall. As such it may, indirectly, make it easier for small businesses to understand and take part in regeneration, and also, even more indirectly, to benefit from the increased economic growth that flows in local areas. There are no burdens or negative consequences to small firms. Comments will be welcomed on this during the consultation.

##### Legal Aid

No legal aid implications are evident, although comments can be made during the consultation.

##### Sustainable development

The framework is designed to improve the manner in which the many agencies involved in regeneration can co-ordinate their efforts. One of its principal foci is that regeneration and development should be sustainable. Regeneration and renewal offers opportunities for improved standards of sustainability as premises and places are improved, and hence indirectly supports the drive towards sustainable development. The framework underlines existing policy and does not seek to change it. Comments can be made on this during the consultation.

##### Carbon Assessment

The framework recognises the important role that regeneration can play in the wider context of reducing carbon emissions. Through a renewed emphasis on appraisal, environmental impacts of regeneration schemes should be considered alongside the economic and social aspects of regeneration. Comments on this can be made during the consultation.

##### Other environment

None apparent, but comments will be sought during the consultation.

## Health Impact Assessment

The regeneration framework calls for better consideration by all regeneration agencies of the health agenda, and the need to promote good health through regeneration. Moreover, the intention is that there will be more job growth benefiting people living in deprived areas who suffer, in general, from the worse health. There is a positive link between worklessness and ill-health, and so improving employment rates will tend to improve health. There are no deleterious changes that we can conceive, but comments on this topic will be welcomed as part of the consultation.

## Race Equality

The regeneration framework explicitly encourages all agencies involved in regeneration to pay regard to the diversity of the local population to recognise the needs of different groups, including racial groups, in regeneration strategy. The framework is consistent with Government policies in this regard but doesn't seek to change them. Comments will be welcomed as part of the consultation.

## Disability Equality

Regeneration offers opportunities to improve the accessibility of places and buildings to people with mobility and other disabilities, and hence the framework should, indirectly, bring about better access to people with disabilities. Comments may be made on this during the consultation.

## Gender Equality

The regeneration framework encourages regenerators to address sex and gender inequality where these exist and are amenable to regenerative intervention. Comments can be made during the consultation.

## Human Rights

Regeneration that benefits deprived communities should increase the number of people who enjoy economic independence and who are therefore better able to assert their rights, for example by having the time and resources to access legal advice. The framework encourages community empowerment and engagement in regeneration, a process that builds collective solidarity and helps groups and communities as well as individuals protect and extend their human rights. Comments may be made on this during the consultation.

## Rural Proofing

The framework will help drive forward efforts to make regeneration more sensitive to the distinct needs of rural areas. It commits Government and encourages others to making more use of finer-grained data about needs that will better identify rural pockets of deprivation which are sometimes missed in urban-based regeneration strategies. It also encourages local authorities to comply with existing best practice with regard to identifying how rural areas can have their regeneration needs most effectively addressed. Comments can be made on this during the consultation.

# Annex K: Partnership with the private sector

Private sector partners have a key role to play in bringing a broad spectrum of expertise to the regeneration agenda – this in turn creates wider benefits for communities and the area concerned. Partnerships with the private sector can be defined as ‘a relationship involving the transference of funds, resources or services from a private company to a regeneration project, in return for an association and a set of benefits to the mutual advantage of both parties’.

## Some core principles of best practice:

- acceptance of a partnership should be tested against the general principle that it does not, and does not appear to, place any government department or its agencies and officials under any obligation other than the partnership agreement itself;
- partnership should add to, and not replace, core funding;
- government departments, its agencies and officials must not, and must not appear to, endorse the partnering company or its products;
- private sector organisations that have, or are seeking, service or supply contracts with the government departments or their agencies, should not be considered as potential partners to ensure that no conflict of interest arises;
- partnership opportunities should generally be offered to the widest number of suitable private sector organisations possible. Exclusive partnership arrangements are to be avoided, and several partners should be involved in larger projects. A chosen partner organisation’s competitors should not be given grounds to complain that they were not given a fair chance; and
- a letter of agreement or contract should be drawn up between the partner and the government department or its agency concerned.

## Checklist

### Introduction

Some improvements cost nothing extra and some even save money. But at times we want to offer an extra service and we know that the money just is not there.

### Creating ideas: Key questions

- Which projects are you about to begin? Are any of these suitable for private funding?
- What do your customers complain about? What problems or issues are raised in your customer surveys?
- Do you need to get other people's opinions, for example, pressure groups?
- Have you approached your private sector contacts to get their views of your ideas? If you let them know what outcomes you want, they can be as creative as possible when they develop their own strategy.
- If you use your private-sector contact's ideas without their permission it could create legal problems. Have you asked your legal department about what is legally acceptable?
- Are you using the suggestions from your private-sector contacts in your business planning process?
- Are there any projects other organisations have carried out that you could use?
- Does your team and other teams within your organisation keep a list of possible service-improvement projects that you can carry out?

### Creating ideas: Typical actions

- study your business plan, organisation goals and budget aims for ideas;
- talk to expert organisations including pressure groups;
- talk to other public sector organisations for ideas;
- share your ideas with private sector contacts. If you get views from the private sector it may mean that you need to refine and improve your ideas. A positive benefit from consulting with the private sector is that any improvements to your original idea could increase the benefits to your proposed project. This is a bonus for everyone;
- speak to as many private sector contacts as possible. If you think your project is going to cost more than £108,667, under EC rules you will have to consider competitive proposals from different companies. This will make sure that you get value for money; and
- always treat ideas from private sector contacts as confidential. Speak to your legal department for advice.

## Evaluating ideas

You can choose which ideas or projects to take forward quite simply. But it is often a good idea to identify a list of important points that you will use to evaluate the project. In general, the larger the project, the more formal your evaluation process will have to be.

Evaluating ideas is not just your job. Your private sector contacts will offer their view on your ideas. If you share ideas with private sector contacts, you can add to your original ideas.

### Evaluating ideas: Key questions

- Have you listed the benefits and improvements you want for your customers and your organisation in order of importance?
- Have you identified the possible benefits you can show to private sector contacts?
- How are you going to share the risks of the projects?
- Do your project ideas help you achieve:
  - your organisation's aims
  - customer satisfaction?
- Have you allocated resources for your ideas?
- Common sense – will the project work? Can you find suitable partners?
- Can your organisation cope with any extra manpower or financial resources you need for the project?

### Evaluating ideas: Typical actions

- set up ways of evaluating how effective your ideas are;
- use a step-by-step approach to evaluate your ideas;
- you will need to produce a business case that your senior management approve;
- set out the benefits that each party will get;
- assess the effect of any legal requirements for your organisation; and



- once you have consulted as widely as possible, including the private sector, you will need to check any changes you have made to your original idea against the aims for your organisation.

## Finding a partner

Finding a partner is made up of two main activities:

- planning
- partner approach

## Planning

You should now have a short list of ideas that may be suitable for private funding. You should now write a short description of the project. It is better if you write about the aims you want to achieve. For example, rather than say your project aims to provide a number of information points, it might be better to say that your project aims to help tourists find their way around the city. This approach will allow the private sector the chance to bring their own ideas to the project.

## Planning: Key questions

- Have you produced a project outline that you can send to possible partners in the private sector?
- Have you drawn up a list of possible partners in the private sector?
- Have you spoken to private sector contacts to check if they are keen on a partnership?
- Have you worked out how much your project will cost so you can discuss it with private sector partners?
- Have you produced a project outline that offers a number of possible approaches for a private sector partner to meet your project needs? If you know what you want to achieve, the private sector contact can come up with the most flexible solution
- Have you shown the outline to someone who will champion your project?
- Is it possible using your organisation's business aims? Have you decided who will manage the project? Are resources (staff costs and other resources) available?

## Planning: Typical actions

- plan how you will make contact with possible partners and develop those contacts into partnerships;
- write a project outline that sets out clearly the benefits or improvements to the service your partners want from the project;
- check that you meet the main points of partnerships;
- you are sharing the risks of the project with your partner;
- the end result of your project offers value for money;
- the project improves service for your customers;
- be prepared to make a formal sales presentation once you have got enough interest; and
- check that you have enough resources to see the project through to the end.

## Partner approach

The key questions listed below will help you create ideas about the sort of partners who might be interested in your project. You know what benefits your organisation will get with a partnership arrangement. You will need to point out the benefits that private sector partners will get from the partnership arrangement. Bear in mind that your private sector partner's aim for the partnership will be to get clear benefits for their organisation.

## Partner approach: Key questions

- Have you made a list of suitable partners that you might approach? For example:
  - advertising agencies;
  - telecommunication companies;
  - construction companies;
  - software companies;
  - office equipment and services companies.

- Have you decided how to approach possible new partners? For example:
  - direct contact;
  - advertising in local, regional and national papers; and
  - advertising in the 'Official Journal of the European Communities'.
- Do you have regular meetings with businesses? Could you use these to promote partnership projects?
- How much of your budget and time are you prepared to spend attracting possible partners? The costs you may have to pay to attract partners include:
  - staffing;
  - advertising;
  - seminars;
  - travel;
  - costs of presentations; and
  - presentation packs.
- How will you short-list candidates? For example, will you expect candidates to have experience of this type of project?
- Have you tested your selection and tendering process to make sure that all candidates have an equal chance?
- Have you set up a procedure to evaluate each candidate's proposals against your aim of getting value for money?

## Partner approach: Typical actions

- develop your strategy for attracting private-sector partners to make sure of the widest possible coverage. This will make sure the competition is fair and you will get the best value for money;
- use telephone, trade and business directories (for example, Yellow Pages, Thomson Directory) to find new private sector partners;
- use trade associations, chambers of commerce and other business organisations, for example, Business Link, to create target partners;
- sell the benefits of your project to possible private sector partners;

- set up ways of evaluating candidates' proposals for achieving value for money within the project;
- have a formal sales presentation ready to present; and
- make a list of private sector contacts your whole organisation use

## Making it happen

Making it happen is made up of two activities:

- preparation
- project management

## Preparation

It is important that you strike a balance between creating enthusiasm and taking the time to plan your project. This section of the checklist focuses on dealing with partners, but we recommend that private sector partners are involved in the project early on in the process. Your partners will give a different viewpoint on the project, and offer ideas to improve it based on their experiences.

### Preparation: Key questions

- Have possible private sector partners made suggestions about the original idea? Do you want to take these suggestions on board and rework the idea?
- Have you assessed the benefits to your service from the reworked idea? (Does it show how any risks are shared between the partners? Can you show that the project will provide value for money? Will the quality and range of services improve?)
- Have you checked the position with your legal department before you use a private sector contact's idea?
- Larger projects will need tendering. Are you in a position to ask people to put in tenders?
- Have you checked with your finance section about any rules and regulations that may apply?
- Have you checked that you are keeping to the EC Directives?
- Have you set up ways of evaluating the proposals?

- Who will draw up your contract for you? If you are changing a standard contract to meet your specific needs you will need to discuss its conditions with your legal department.
- Does the contract clearly give the roles, responsibilities and commitments of each organisation within the project?
- Do you need to make sure that the contract will be reviewed after a trial or fixed period?
- If your project is a sponsorship arrangement, have you made other arrangements in case the sponsor decides to end the sponsorship arrangement?

## Preparation: Typical actions

- decide how to evaluate the proposals from the private sector;
- contact your finance section to find out about the rules and regulations to do with financial arrangements. Your finance section will tell you about any EC directives that may apply to your partnership arrangement;
- contact your legal department about the contract;
- think about which type of partnership would be best for your organisation. Remember sponsorships are often a short-term arrangement. So, if your project is longer, you will want to set up a joint-venture partnership. A joint-venture partnership means sharing the responsibility of funding and providing the service. Decide whether you should review the contract in the future; and
- sponsorship normally lasts for a year. Make sure that the sponsorship agreement allows you time to find sponsorship from somewhere else if a sponsor pulls out. This will give you time to contact other sponsors so that you do not need to withdraw the service to your customers.

## Project management

Effective project management is the key factor in managing and controlling the direction of your project. It will help you to:

- see any problems at the beginning of the process;
- evaluate and measure any progress you make on the project;
- clarify the aims and responsibilities of everyone involved;
- see what costs are involved; and
- help identify the resources needed for the project.

An effective but simple project management approach is important if the project is to run smoothly.

## Project management: Key questions

- Have you chosen a project team? Who will lead the project? Do they have the authority and responsibility they need?
- Has everyone agreed to their roles and responsibilities?
- Do you have a formal project management structure in place, including the following?
- Is everyone clear about the project's aims? Can they be measured?
- What are the important timescales for the project? You will need to identify tasks that you will need to finish, before you can go on to the next stage of the project.
- Have you worked out the cost of the overall project?
- Who will check the project's progress against its aims, timescales and costs? How often will the project team meet? Who will the project team answer to?
- Who will supply what resources and when?
- Have you set up regular review meetings to assess the progress of the project?
- Can you be sure that your customers are benefiting from the project?
- Have you made back-up plans? For example, what will happen if the project is delayed?
- What is the process for dealing with disagreements between public and private sector partners?
- How will you tell everyone about the progress on the project? For example, how will the public know about the benefits of the project? Is the success of the project to do with rewarding your staff and recognising their effort?

## Project management: Typical actions

- set up a clear project management plan;
- review the project regularly;
- treat your partners as equals, be open and honest with them at all times, and especially when problems arise; and
- you should now have a short list of ideas that may be suitable for private funding. You should now write a short description of the project. It is better if you write about the aims you want to achieve. For example, rather than say your project aims to provide a number of information points, it might be better to say that your project aims to help tourists find their way around the city. This approach will allow the private sector the chance to bring new ideas to the project.

## Planning: Key questions

- Have you produced a project outline that you can send to possible partners in the private sector?
- Have you drawn up a list of possible partners in the private sector?
- Have you spoken to private sector contacts to check if they are keen on a partnership?
- Have you worked out how much your project will cost so you can discuss it with private sector partners?
- Have you produced a project outline that offers a number of possible approaches for a private sector partner to meet your project needs? If you know what you want to achieve, the private sector contact can come up with the most flexible solution
- Have you shown the outline to someone who will champion your project?
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## Planning: Typical actions

- plan how you will make contact with possible partners and develop those contacts into partnerships;
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- check that you meet the main points of partnerships;
- you are sharing the risks of the project with your partner;
- the end result of your project offers value for money;
- the project improves service for your customers;
- be prepared to make a formal sales presentation once you have got enough interest; and
- check that you have enough resources to see the project through to the end.



### Case study: Kirklees Metropolitan Council

Kirklees Metropolitan Council serves a population of 370,000 and covers the districts of Huddersfield, Holmfirth and Dewsbury in West Yorkshire. The passport service offers the people of Kirklees discounts and concessions on a wide range of council and other services.

The service began with a programme of discounts from three main service areas. These three areas are:

- leisure and recreation;
- cultural services; and
- education services

Today the service includes ten different council services, including car parking, environmental services and disability services. It has also been extended to the private sector and voluntary organisations. Over 15,000 people now have a Kirklees passport card, and the number is continuing to grow.

The passport was originally an idea created by a strategy team meeting including heads of service and other senior managers. The meeting came about to deal with the council's anti-poverty strategy. The team wanted to extend the scheme to more people so they decided to involve the private sector. The strategy team contacted the Chamber of Commerce and other retail associations. The proposal for the private sector was that, in return for advertising space in the passport, private sector partners would offer all residents discounts on goods.

The strategy team made full use of the Yellow pages to find possible new partners. The team decided to hold a Mayor's lunch to attract private firms to join in the project. A test project, which was to last three months, was set up and retailers such as Pizza Hut, Boots the Chemist, Althams Travel and Benetton, as well as many local shops took part.

After a successful test, the Kirklees passport resident card was introduced extending the passport service to all people. Everyone who takes part in the scheme benefits. Kirklees is able to progress its anti-poverty strategy. Retailers can advertise their goods free of charge and all people taking part in the scheme can get goods at discounted prices.

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