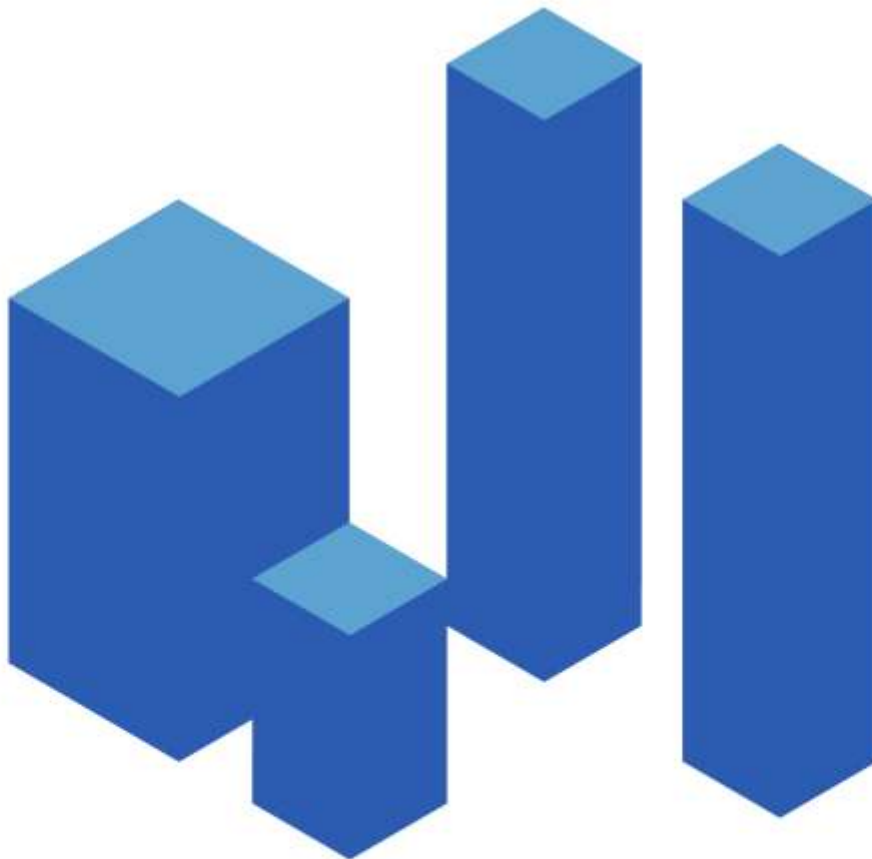


People or Place?

Urban policy in the age of austerity

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Contents

Executive summary.....	1
1. Introduction	4
2. A brief history of regional and urban policy	6
3. Tackling Disparities at the Regional Level – Evidence from the Regional Development Agencies.....	13
4. Tackling disparities at the neighbourhood level – evidence from the New Deal for Communities	22
5. The future of regional and urban policy? The argument of people versus place	35
6. The Coalition’s approach.....	45
7. Conclusions and Recommendations	53
Contact details.....	61

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Executive summary

Regional policy in the UK dates back to the 1930s when the first measures were put in place to tackle high levels of unemployment. Early policy was interventionist and attempted to steer geographically mobile investment into those areas where unemployment was high – that is – to bring jobs to the people.

On coming to power in 1997 Labour sought to revamp urban and regional policy and large amounts of time and resources were allocated to rebalancing the UK economy. Regional Development Agencies were created with the aim of narrowing the growth rates between the regions and Labour attempted to tackle deprivation at the neighbourhood level via the New Deal for Communities.

Yet for the first time in over forty years there are no area based initiatives targeted at the most deprived parts of England. Alongside this, the agencies tasked with reducing regional disparities have been abolished - amounting to a cut of two-thirds in core regeneration funding.

Some politicians and academics have argued that this 'end of regeneration' is jeopardising the funding which supports the parts of the country with the weakest economies. According to this view, regeneration helped bring jobs to the people who needed them. Without regeneration, the most deprived communities in the UK will have little chance of economic recovery.

Yet others have suggested that the old model did not work - that approaches to economic development based on supporting particular places had only limited impact in attracting jobs. Instead of expensive approaches to regeneration which attempted to bring jobs to deprived areas, policy should focus on people rather than place. In cities such as Birmingham, spending on economic development has not been accompanied by private sector employment growth.

Therefore, it is argued, the focus of policy should be much more on people rather than places: supporting disadvantaged people to achieve better individual outcomes regardless of where they live; increasing geographic mobility so that it is easier for people to move to areas which are growing; and reducing the barriers to the expansion of more economically successful places.

This report considers this debate, which is at the heart of policy on economic development and regeneration. It investigates the following questions:

- (1) What were the successes and failures of regeneration and economic development under the 'old' regime?

(2) What does this imply for whether policy should focus on people, places or both?

Evidence from the last decade of urban and regional policy suggests that the last government's two flagship initiatives failed in their mission to reduce spatial disparities:

- In the case of the Regional Development Agencies (RDAs) regional economic disparities accelerated over the period they were operating; and,
- The New Deal for Communities (NDC) areas achieved significant improvements in relation to place but saw limited improvements to people based outcomes.

Yet the picture is actually much more nuanced. Spatial disparities have been a persistent feature of the UK's economy for a long time, so to narrow the gap could be seen as an unrealistic ambition. In both cases, the amount of spending on regeneration has been exaggerated given both the scale of the challenge and when compared to other areas of public services. It can be argued that for both the RDAs and the NDC, too little emphasis was placed on people based policies – if the explicit goal is to improve economic performance a healthier balance between place and people policies is needed.

There are no panaceas for the regeneration of declining places. Particularly given the weakness of the economy, the Coalition government's 'new approach' to economic development faces considerable challenges. Local Enterprise Partnerships lack the funding and levers necessary to address disparities. And migration within the UK remains low, with considerable cultural and institutional barriers that must be overcome before a 'bringing people to the jobs' approach can work.

New approaches to economic development based on incentives for growth and flexibilities for local government are likely to exacerbate disparities. Incentives and flexibilities for local growth risks a 'winner takes all effect': those areas with strong economic growth coupled with new physical development will retain greater resources to support investment in infrastructure and services thereby facilitating further growth.

The localism approach will take time to work. Whitehall is slow at letting go. In the meantime the lack of resources, the disproportionate impact of public sector cuts on places outside of the Greater South East, and the cuts to regeneration risk further widening economic and social disparities. Significant costs to the individual, local areas and national government are likely to arise.

Summary of Policy Recommendations

1. Ensuring new models of economic development are given a chance

- Strengthening Local Enterprise Partnerships
- Joining things up locally – progressing Community Budgeting

2. Focusing policy on the skills and mobility of people

- Improving skills acquisition at all ages
- Linking disadvantaged neighbourhoods to areas of growth
- Supporting those that want to move to access employment

3. Learning from, and building on, the 'old regime'

- A challenge fund for deprived areas to provide financial support for innovative projects
- Joining neighbourhood projects up at the right spatial level and filling gaps in mainstream provision
- Supporting the growth of social enterprises and encouraging local ownership of community assets
- Continued investment in community development - building social capital and social networks

1. Introduction

Economic and social disparities are a long-standing feature of the geography of the UK. A particular feature of this has been the divide between the more prosperous and affluent South and the regions of the North. Concerns with such regional divisions have led to the United Kingdom being at the forefront in developing policies to combat these problems.

Urban and regional policy in the UK can be characterised as a series of experiments introduced by successive governments keen to put their own ideological stamp on policy.¹ Early policy (1940s-70s) was interventionist and attempted to steer geographically mobile investment to areas with employment shortages. From the late 1970s regional policy became urban policy and tried to tackle the problems in Britain's inner cities. In the 1980s urban policy became property- and market-led and targeted at small geographic areas in the hope that disadvantaged residents would benefit.

Urban policy in the 1990s and 2000s evolved further to focus more closely on the needs of disadvantaged groups and individuals at the local level. It aimed to bring about holistic economic and social regeneration mainly at the level of the 'neighbourhood'. Alongside this, the then government attempted to reduce regional disparities. The regeneration agenda was prioritised and unprecedented resources were allocated to rebalancing the UK economy.

Yet, despite a sustained period of intervention it has been suggested that these policies have had limited impact.² Some have gone as far to argue that "*urban policy has not worked*"³. Instead, the argument goes, the focus of policy should be much more on people rather than places: supporting disadvantaged people to achieve better individual outcomes regardless of where they live, increasing geographic mobility so that it is easier for people to move to areas which are growing and reducing the barriers to the expansion of more economically successful places.

This report considers this debate, one which is at the heart of policy on economic development and regeneration, and investigates the following questions:

- (1) What were the successes and failures of regeneration and economic development under the 'old' regime?

¹ See from example Atkinson and Moon 1994 and Woodward 2004

² See for example Overman (2011) , Leunig and Swaffield (2007) and Glaeser (2005)

³ Leunig, T and Swaffield, J (2007) Cities Limited, Policy Exchange

- (2) What does this imply for whether policy should focus on people, places or both?

The focus of this report is on the last decade of urban policy. In particular, two of the most resourced and extensively evaluated policies of recent urban and regional policy: the Regional Development Agencies (RDAs) and the New Deal for Communities (NDCs). The paper looks at what was achieved and what wasn't and considers the implications for the future of spatially targeted policy. In a time of limited resources should we focus on people rather than places?

The city of Birmingham, and the wider West Midlands region, has been used as a case study for this research. This research has drawn on interviews with local stakeholders, focus groups with residents of the two Birmingham NDC areas (Kings Norton Three Estates and Aston Pride NDCs), as well as evidence from local and national evaluations. The findings of which have informed, in particular, the analysis provided in Chapter 4 of this report as well as recommendations in Chapter 7.

This paper is the fourth in a series of publications as part of TWF's research programme, [*The Bottom Ten Million*](#), which focuses on the employment prospects of Britain's low earners between now and 2020 and seeks to identify the priority measures that need to be taken if they are to share in the sources of growth and prosperity over the next decade. There are ten million people in Britain who currently have annual incomes of less than £15,000. The Bottom Ten Million programme is sponsored by Working Links, the Tudor Trust, the Barrow Cadbury Trust and the Private Equity Foundation.

1.1. Report Structure

The paper is structured as follows:

- Chapter 2 - A short history of regional and urban policy
- Chapter 3 - Tackling disparities at the regional level – Regional Development Agencies
- Chapter 4 - Tackling disparities at the neighbourhood level – the New Deal for Communities
- Chapter 5 - A future for regional and urban policy? The argument of people versus place
- Chapter 6 - Coalition's Approach
- Chapter 7 - Recommendations

2. A brief history of regional and urban policy

The focus of this report is on the last decade of urban policy. In particular, two of the best resourced and extensively evaluated initiatives of recent urban and regional policy: the Regional Development Agencies (RDAs) and the New Deal for Communities (NDCs). However, before turning to look at the performance of these two schemes it is worth considering how urban and regional policy in the UK has evolved over the last seventy years.

2.1 The birth of regional policy – bringing the jobs to the people

“Britain can lay claim to have invented regional policy when, as far back as the 1930s, the first measures were put in place in areas of high unemployment”⁴

In the early days of regional policy the assumption was that differences in unemployment between the regions were due primarily to a lack of jobs. Therefore the focus of policy was – particularly in the 1960s and 1970s – to steer geographically mobile investment into areas where unemployment was high. That is, to bring the jobs to the people.

In 1945 and 1947⁵ the government actually legislated to influence the geographic distribution of new industry.⁶ Any new industrial plan – or extension – over a certain size had to have an Industrial Development Certificate (IDC) from the Board of Trade. IDCs were an attempt to steer industry from London and the Midlands to designated development areas.⁷ Alongside this, incentives were deployed which included specially built factories, low rent government built factories, capital investment grants and loans.

In the early days (1945-47) the policy was used quite extensively and made it very difficult for firms to obtain a building permit outside of a designated special area.⁸ After a lull, during the long economic boom of the 1950s, use intensified again in

⁴ Fothergill, S (2005), A new regional policy for Britain, Regional Studies

⁵ 1945 Distribution of Industry Act and the 1947 Town and Country Planning Act

⁶ Thirlwall, A.P (1967) A Measure of the ‘Proper Distribution of Industry’, Oxford Economics Papers, New Series, Vol. 19, No. 1, Oxford University Press

⁷ in 1945 these were Merseyside, North-East England, West Cumberland, Central Scotland and South Wales

⁸ Woodward, N (2004) The Management of the British Economy 1945-2001, Manchester University Press

the 1960s as unemployment in the regions began to rise. For instance in 1966, 30 per cent of IDC applications in the Midlands and the South East were refused.⁹

The overall impact of the policy was limited. While jobs were directed into the development areas - which would not have located there in the absence of policy¹⁰ - there were too many loopholes which companies could exploit. For instance, many companies just expanded by less to avoid applying for an IDC. In addition, incentives mostly applied to capital equipment and meant that a company using lots of machinery and little labour could get generous grants to go to a development area without increasing local employment.¹¹

2.2 From regional to urban policy – policies for the inner city

Until the mid-1960s no policy initiative had been specifically directed at urban cores and urban problems were largely conceived of in physical terms; such as housing redevelopment to counteract wartime destruction and to deal with obsolete stock. The rapid deindustrialisation of the 1970s led to urban flight, rising crime, and growing social polarization in the Britain's inner cities that drove the emergence of urban policy.¹²

State sponsored urban regeneration can be traced back to the late 1960s when Harold Wilson launched the Urban Programme. This was designed to arrest the economic and social decline of Britain's inner cities. The policy was meant to be 'holistic' with Local Authorities in special areas allocated a 75 per cent grant to cover the costs of programmes around education, housing, welfare and health in disadvantaged areas. However, some argued that the projects developed under the Urban Programme failed to address the fundamental cause of urban decline - that of structural economic change.¹³

The 1977 White Paper on inner cities recognised that causes of inner urban decline and poverty were located in wider economic and social conditions, such as deindustrialisation. The response was the Inner Urban Areas Act of 1978, the main feature of which was the creation of seven partnerships between central and local government in an attempt to harness private capital for urban economic revival.

⁹ Leunig, T and Swaffield, J (2007) *Cities Limited*, Policy Exchange

¹⁰ Fothergill, S (2005), *A new regional policy for Britain*, Regional Studies

¹¹ Hall, P and Tewdwr-Jones, M (2011) *Urban and Regional Planning: Fifth Edition*, Taylor & Francis, New York

¹² Power, A and Mumford (1999), *The Slow Death of Great Cities*, Joseph Rountree Foundation

¹³ Pacione, M (1997) *Britain's Cities: Geographies of Division in Urban Britain*, Routledge, London

The Act also involved increased powers to enable local authorities to aid and attract industrial development – to be delivered via an expanded Urban Programme.

However, this attack on poverty failed to materialise as local authorities budgets were squeezed in a climate of retrenchment. Further, the partnerships were also criticised for lack of co-ordination and their failure to agree a standard approach.¹⁴

2.3 Market-led regeneration and the privatisation of urban policy

The election of a Conservative government in 1979 represented a watershed moment in British urban policy. It signalled a shift in policy away from public sector led urban regeneration, and attempts to shift jobs from part of the UK to another, to an emphasis on the role of private sector in regenerating urban areas.

Instead, the role envisaged for the public sector was to create the conditions to attract investment rather than trying to directly influence development decisions. Initiatives were property- and market-led and targeted at small geographic areas in the hope that the economically and socially disadvantaged in and around these areas would benefit. This was the ‘trickle down’ concept.

This approach formed the backdrop to the two flagship initiatives of this era of urban policy – Enterprise Zones and Urban Development Corporations (UDCs) – but was also evident in an array of other initiatives of that time period (i.e. Urban Development Grants, Business in the Community, Task Forces, Training and Enterprise Councils). The focus on enterprise as a means to solve the problems of urban decline can be summed up in quote by then Prime Minister Margaret Thatcher:

“one of the difficulties about Inner Cities is that some councils are positively hostile to the private sector which could solve their problems”¹⁵

The UDCs represented the most significant urban policy initiative of the Conservative government. They were vehicles designed to secure the regeneration of a particular area by bringing land and buildings back into use and by encouraging the development of existing and new industry and commerce. The Conservative government rejected the idea that local authorities should play a major role in urban policy. UDCs were appointed by central government and, armed with their own land acquisition and planning control powers, were able to

¹⁴ Hall, P and Tewdwr-Jones, M (2011) *Urban and Regional Planning: Fifth Edition*, Taylor & Francis, New York

¹⁵ Cited in Pacione, M (1997) *Britain's Cities: Geographies of Division in Urban Britain*, Routledge, London

bypass local government. This position was clearly stated by Heseltine when talking about the London Docklands Development UDCs displacement of Local Authorities:

“we took their powers away from them because they were making such a mess of it. They are the people who got it all wrong”¹⁶

The UDCs were reasonably successful at achieving what they had been set up to; between 1981 and 1997 collectively they reclaimed more than 3,500 hectares of land, completed over 40,000 houses, built or improved 628km of roads and levered £14 billion of private sector investment.¹⁷ However, there was limited evidence of benefit spilling over into deprived communities – in fact in places where they were most effective greater social polarisation and community marginalisation occurred.¹⁸ Further, because they were independent from wider planning frameworks they were often set up in competition with other initiatives resulting in job and firm displacement and limited additionally.

2.4 Partnership working and holistic regeneration

During the 1990s, urban policy evolved again, moving away from a narrow focus on property to an emphasis on the needs of disadvantaged groups and individuals at the local level. This was a feature of City Challenge and the subsequent Single Regeneration Budget (SRB) programmes, both launched under the Major administration. The City Challenge – announced in 1991 – was the first competition based fund which required local authorities to submit bids to obtain funding from central government. It was a five year programme aimed at engaging public, private and community sector representatives to deliver sustained area regeneration in partnership. It reintroduced a softer approach to urban policy.¹⁹

The City Challenge encouraged local authorities to put together plans and submit bids to central government for funds to regenerate run down areas. These plans *“represented the first real attempts at seeking to bring about holistic regeneration*

¹⁶ Quoted in Thornley (1991), *Urban Planning under Thatcherism: The Challenge of the Market*, London: Routledge

¹⁷ Raco, M. (2005) *Step Change or a Step Back? The Thames Gateway and the Re-birth of the Urban Development Corporations*, Local Economy

¹⁸ *ibid*

¹⁹ Ball-Petsimeris, S (2004), *Urban Policy Under New-Labour: A New Dawn?*, University of Paris

*in the local areas concerned since they embraced measures to address economic, physical and social issues*²⁰.

The City Challenge represented the foundation for the implementation of the Single Regeneration Budget (1994) designed to streamline the existing urban regeneration landscape. SRB ran for ten years and was initially operated through Government Offices for the Regions and then by the Regional Development Agencies (RDAs). The SRB Challenge Fund combined eighteen separate programmes designed to support local regeneration.

The SRB was seen to have been successful in leveraging private sector funding as well as in 'bending' mainstream programmes (making mainstream programmes become more locally flexible and focused).²¹ In terms of outcomes the SRB areas saw a significant increase in those employed full-time alongside improvements in income levels, satisfaction with the area and falls in unemployment. However, despite improvements the case study areas used in the national evaluation "*still had an employment rate some 22 per cent lower than the England average, on a par with the 'all deprived' England area average*"²².

2.5 Urban Policy from 1997-2010

On coming to power in 1997 the Labour government embarked on a programme to revamp regional and urban policy in the UK. An unprecedented amount of time and resources were spent on the regeneration agenda. The focus was on 'narrowing the gap' - between regions/city regions as well as reducing the disparities within them. Specific policy highlights include:

- **Regions and City Regions** – e.g. Regional Development Agencies (RDAs), Multi-Area Agreements, City Region Pilots, City Strategy Pathfinders;
- **Area-based initiatives and targeted funding streams** – e.g. New Deal for Communities (NDC), Working Neighbourhoods Fund (WNF), Local Enterprise Growth Initiative (LEGI)

²⁰ Tyler, P, Rhodes, J and Brennan, A (2007) The Single Regeneration Budget: Final Evaluation - Full Report, Department of Land Economy, University of Cambridge

²¹ Ibid

²² Ibid

2.6 Tackling spatial disparities - people or places?

“Government policies aimed at influencing the spatial distribution of economic activity can only be described as a partial success”²³

It has been argued that government attempts to tackle spatial disparities over the last seventy years or so have only had limited impact²⁴ and that a new approach is needed - one that focuses much more upon people rather than places.

The argument behind the calls for a new approach is twofold. Firstly, spatial disparities have continued to be a persistent feature of the UK's economy despite a sustained period of intervention.

Box A. Persistence of Spatial Disparities in Birmingham

For instance, spending on economic development in Birmingham has not been met with private sector jobs growth. Birmingham did managed to restructure its economy after losing two-thirds of its manufacturing jobs between the late 1970s and the 2000s²⁵ - the city centre has been regenerated and revitalised and the city has become much more 'liveable'. Yet despite this progress and despite RDA investment, between 2003 and 2008 - when the national economy was growing strongly - the city shed almost 24,000 private sector jobs (-4 per cent).²⁶

Secondly, and more fundamentally, it is argued that place orientated strategies are essentially trying to address the wrong problem. For example, Overman et al²⁷ have argued that the difference between places is primarily the manifestation of differences between people. Therefore, by targeting places you are essentially targeting the wrong thing. Accordingly, it is argued, policies should instead focus on improving outcomes for people who live in 'bad' areas and removing the barriers which prevent people relocating to 'better' areas.²⁸

²³ Frost, M and Spence, N (1981) Policy Responses to Urban and Regional Economic Change in Britain, *The Geographical Journal*

²⁴ see for instance Overman 2009, Glaeser 2005

²⁵ Parkinson, M (2007) *The Birmingham City Centre Masterplan: the visioning study*, European Institute for Urban Affairs, Liverpool John Moores University

²⁶ Data from Annual Business Inquiry - Birmingham Travel to Work Area

²⁷ Gibbons, S, Overman, H and Pelkonen, P (2010) *Wage Disparities in Britain: People or Place?*, SERC Discussion Paper 60, LSE

²⁸ Gibbons, S and Overman, H (2011) *Unequal Britain: how real are regional disparities?* Centrepiece, LSE

2.7 Conclusions

The UK has a long history of attempts to reduce spatial disparities. Early policy was interventionist and attempted to steer geographically mobile investment to areas with employment shortages. In the 1970s regional policy became urban policy and focused on tackling the entrenched problems in Britain's inner cities. The 1980s saw the rise of property- and market-led programmes while the 1990s saw a return to softer, more holistically focused urban renewal.

Urban policy under Labour changed again and the government embarked on a concerted attempt to reduce regional and local disparities. The regeneration agenda was strongly prioritised and an unprecedented amount of time and resources was allocated to rebalancing the UK economy.

Yet, despite a sustained period of intervention it has been argued that these policies had limited impact (see for example Overman²⁹ and Leunig and Swaffield³⁰). In fact, some have gone as far to argue that "*urban policy has not worked*"³¹.

The next two chapters consider some of the evidence behind these claims focusing on two of the flagship policy responses of the era:

- The Regional Development Agencies – tasked with reducing disparities between and within regions (next Chapter); and,
- The New Deal for Communities – one of the longest and most well resourced ABI this country has ever seen, tasked with narrowing the gap between the most deprived and least deprived neighbourhoods (Chapter 4).

²⁹ Overman,(2011) "Policies to Help People in Declining Places" in Strategies for Underperforming places, SERC, LSC

³⁰ Leunig, T and Swaffield, J (2007) Cities Limited, Policy Exchange

³¹ Leunig, T and Swaffield, J (2007) Cities Limited, Policy Exchange

3. Tackling Disparities at the Regional Level – Evidence from the Regional Development Agencies

On coming to power in 1997 the Labour government set out its proposals to establish Regional Development Agencies (RDAs) in the Building Partnerships for Prosperity White Paper.³²

One of the central themes of the paper was the belief that if the UK economy was going to improve as a whole the problems had to be addressed regionally as well as nationally. So, in 1999 the Regional Development Agencies were launched with the aim of promoting sustainable improvements in the performance of all English regions and in the longer term of narrowing the gap in growth rates between the regions.

3.1 Regional Policy 1997-2007

The main direction of Labour's regional policy was set out in three reports: Productivity in the UK - No. 3 The Regional Dimension³³; A Modern Regional Policy for the United Kingdom³⁴; and, Productivity in the UK - No. 4 The Local Dimension.³⁵

The reports argued that regional and sub-regional disparities were caused by low productivity and low employment. The government justified intervention on the grounds that the disparities were the result of market failures and that:

“Effectively tackling these market failures will increase overall UK growth and lead to convergence in productivity and employment levels between regions”³⁶

Policies to promote growth across the country and tackle regional disparities focused on three areas:

- **Macroeconomic stability** - to provide the right environment so that businesses and individuals have the confidence to invest and plan for the future and increased public spending to counteract previous underinvestment.

³² DETR (1997) Building Partnerships for Prosperity

³³ HM Treasury (2001) Productivity in the UK - No. 3 The Regional Dimension, HM Treasury

³⁴ HM Treasury (2003) A Modern Regional Policy for the United Kingdom, HM Treasury

³⁵ HM Treasury (2003) Productivity in the UK, No. 4 The Local Dimension, HM Treasury

³⁶ HM Treasury (2001) Productivity in the UK - No. 3 The Regional Dimension, HM Treasury

- **The five drivers of productivity** – a focus on the five drivers of productivity which were identified as skills, investment, innovation, enterprise and competition.
- **Regional policy** - A policy framework for the regions with devolved decision-making to the regional, sub-regional and local level.

3.2 The Regional Development Agencies

The Regional Development Agencies (RDAs) were launched in 1999 (with the London Development Agency following in 2000) with the common aim “*to transform England’s regions through sustainable economic development.*” The RDAs aimed to:

- Be ‘business-led’ bringing business expertise to the task of economic development and regeneration;
- Create the right conditions for growth; and,
- Foster the creation of additional, better quality, and higher paid-jobs.

Box B. – Regional Development Agencies: Programmes and Projects

RDAs have funded and, in many cases, **delivered a variety of programmes and projects focused on business, people, and place**, to:

- enhance business development and competitiveness;
- promote regeneration through physical infrastructure; and
- support people and skills.

They have also delivered other interventions that cover more than one of these categories, for example the Single Regeneration Budget (SRB), as well as a number of national programmes (determined by central government) which they have delivered. These included: the Coalfields Programme; the Regional Innovation Fund; the Manufacturing Advisory Service; Regional Tourist Board Support; Market Town Initiative; Business Link; Regional Selective Assistance/ Selective Finance for Investment; Grant for Research & Development; and Phoenix Fund.

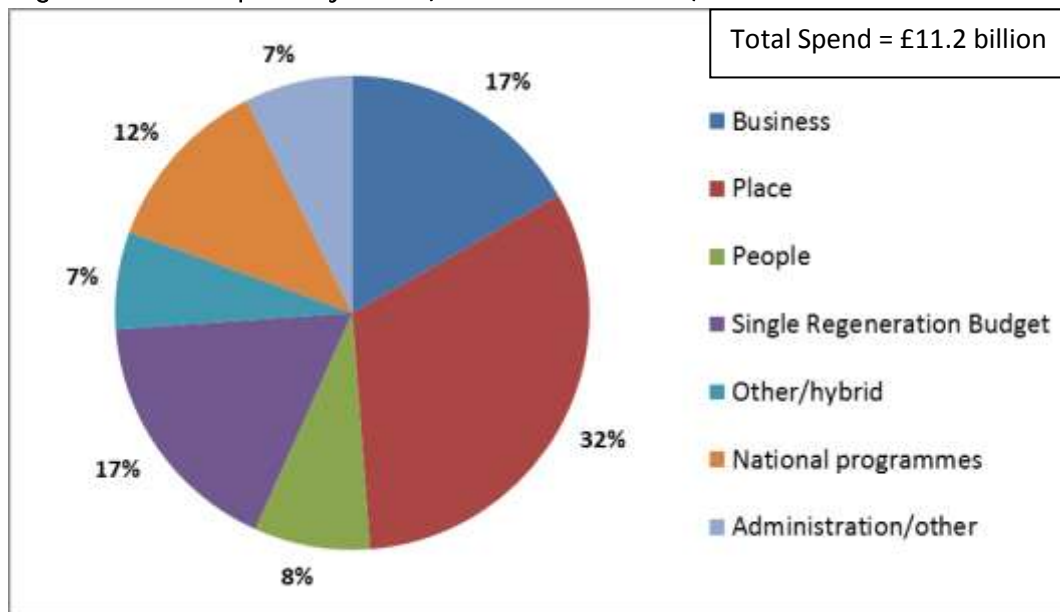
Source: PWC (March 2009) Impact of RDA spending – National report – Volume 1 – Main Report, Department for Business, Enterprise & Regulatory Reform

Regional Development Agencies commanded a sizeable budget. Over the period 2002/03 to 2006/07 (the period the PwC evaluation covered) they spent around £11.2 billion: an average annual spend of £2.2 billion. Although in today’s climate £2.2 billion per annum sounds like a lot of money it should be noted that they actually only accounted for an average of 0.7 per cent of total public spending

going into the regions (varying from 1.5 per cent in North East to 0.3 per cent in East of England).³⁷

As demonstrated by Figure 1 this was not split evenly across strategic priorities, but concentrated on ‘place’ focused activity such as regeneration through physical infrastructure (32 per cent of spend) and business support activities(17 per cent). Together they accounted for almost half of all RDA expenditure. In contrast only 8 per cent was spent on ‘people’ based measures such as labour market and skills interventions.

Figure 1 - RDA Spend by Area (2002/03 to 2006/07)



Source: PwC (2009)

The PwC evaluation of their impact set out the gross impact achieved between 2002/03- 2006/07³⁸:

- Created and safeguarded 213,000 jobs
- Helped 30,000 people into employment
- Assisted 35,000 businesses
- Helped create over 8,000 net new businesses
- Developed the skills of 403,000 people
- Remediated 570 hectares of brownfield land

³⁷ PwC (March 2009) Impact of RDA spending – National report – Volume 1 – Main Report, Department for Business, Enterprise & Regulatory Reform

³⁸ Form Impact Evaluation Framework Compliant evaluations as identified in the PwC Evaluation 2009

The evaluation attempted to measure additionality, that is, the proportion of outputs that would not have arisen without RDA intervention. These estimates ranged from 39 per cent for business assists to 71 per cent for land remediation. Additionality is also potentially underestimated in these figures as they do not cover future outputs which are particularly relevant for regeneration projects and infrastructure projects in which the future benefits accrued over a longer time period.

The PwC evaluation also estimated the impact on Gross Value Added (GVA) from the jobs created/safeguarded by RDA activities and found that for every £1 spent by the RDAs £4.50 was added to regional GVA. This 'value for money' calculation also varied significantly according to the type of intervention. For instance, interventions targeted at businesses generated an additional £7.30 for every £1 spent to £2.50 for every £1 spent on people interventions. According to the evaluation these figures potentially underestimated the value for money impact as most evaluations did not seek to "*place a monetary value on all the social and environmental aspects of RDA' spending*".

Box C. Advantage West Midlands (AWM) Regional Development Agency

AWM commanded an annual budget of 376 million (£1.5 billion over the period 2002/03 to 2006/07) which represented 0.9 per cent of total government spending going into the region – the third highest of the RDAs. PwC³⁹ reviewed nine smaller evaluations of AWM activity, which covered £990m of spending over the period 2002/03 to 2006/07. The assessment was very positive, suggesting that AWM had created or safeguarded 78,000 jobs, nearly 48 per cent of which were 'additional at the regional level'.

The AWM was found to have created 3,000 businesses (45 per cent of which additional) and to have assisted 28,000 businesses (of which 30 per cent were additional). AWM was also found to have delivered value for money, with its highest performing investment areas (interventions in businesses and places) delivering returns of 4 to 1.

PwC's assessment notes AWM's important 'strategic value added' role in working on proposals to redevelop Birmingham New Street Station. AWM helped manage the £600m Birmingham Gateway regeneration project focused around the station. Other Birmingham-centred activity included its role in safeguarding jobs at the MG Rover car plant in 2005 – this was singled out in the evaluation as an example of best practice in 'responding to economic shocks'.

³⁹ BIS/PwC (2009) Impact of RDA Spending vol 2. Available at <http://www.berr.gov.uk/files/file50736.pdf>

However, estimating the additionally of RDA interventions is inherently tricky and the approach taken by the majority of RDA evaluations has been based on self-reported evaluations. Using self-reported evaluations to assess performance is likely to involve an element of bias even if it is approached with the best intentions. Overman (2011) has gone further in the critique of the approach, stating it was “*close to the bottom of the ranking in terms of rigour*”⁴⁰.

Criticisms have also been levelled at the bureaucracy and the sheer array of initiatives – for example, the closure of the RDAs has led to cuts of an estimated 3,000 regeneration, economic and business projects between 2010/11 to 2011/12.⁴¹ Further, critics have said that their performance should be judged upon whether they actually managed to achieve what they had been set up to do – reduce regional disparities. Their performance against this is considered in the next section.

3.3 Measuring the success of the RDAs

Disparities in economic performance (as measured by Gross Value Added) actually widened over the period in which the Regional Development Agencies were active.

Regional data shows that the areas in and around London have grown much faster than the rest of the country. The widening of the gap in economic performance is shown in Figure 2 on the next page. In 1997 the dispersion (as measured by the coefficient of variation) between the regions in the UK was 22 per cent, but by 2010 it had increased to 28 per cent.

Longer term trend analysis shows that the increase in economic disparities began in the 1970s and 1980s as the result of the impact of successive economic shocks in combination with factors such as technological change and globalisation.⁴² However, evidence suggests that these trends accelerated during the mid-1990s onwards.⁴³

Despite widening disparities in economic performance regional labour markets performed relatively well over the same period, enjoying a period of convergence,

⁴⁰ Overman, H (2011) Policies to help people in declining places, in Strategies for Underperforming Places, SERC, LCP

⁴¹ Changing gear: is regionalism the new localism

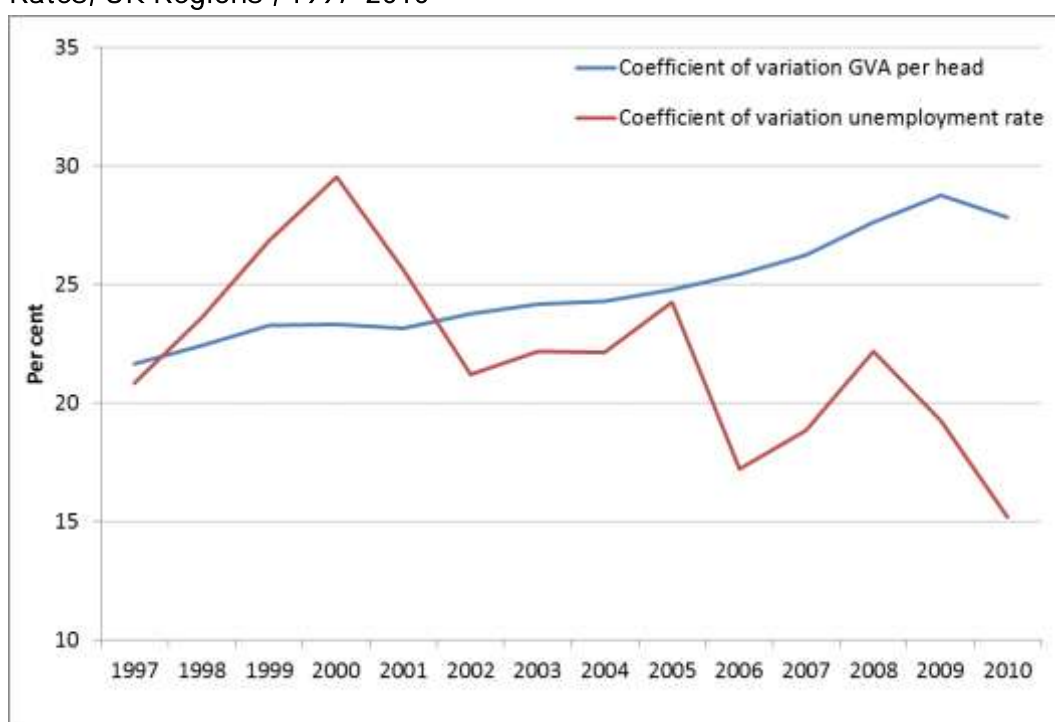
⁴² OECD (2009), How do Regions Grow, Policy Brief, OECD

⁴³ BIS and DCLG (2010) Understanding Local Growth (2010), BIS Economics Paper No.7, Business, Innovation and Skills Department

with narrowing disparities in employment and unemployment rates between the regions.

Figure 2 also shows the coefficient of variation for unemployment rates between 1997 and 2010: the regional dispersion of unemployment rates converged after from 21 per cent in 1997 to 15 per cent in 2010. The reason for convergence between the regions over this period can be explained partly by the increased expenditure on the public sector since 1997, and corresponding growth in public sector jobs, and also by the trend for the withdrawal of people from active benefits, such as JSA, to inactive benefits long-term sickness benefits.

Figure 2 - Coefficient of Variation of GVA per head levels and Unemployment Rates, UK Regions , 1997-2010



Source: *The Work Foundation calculations using ONS Regional Accounts (rounded data)*

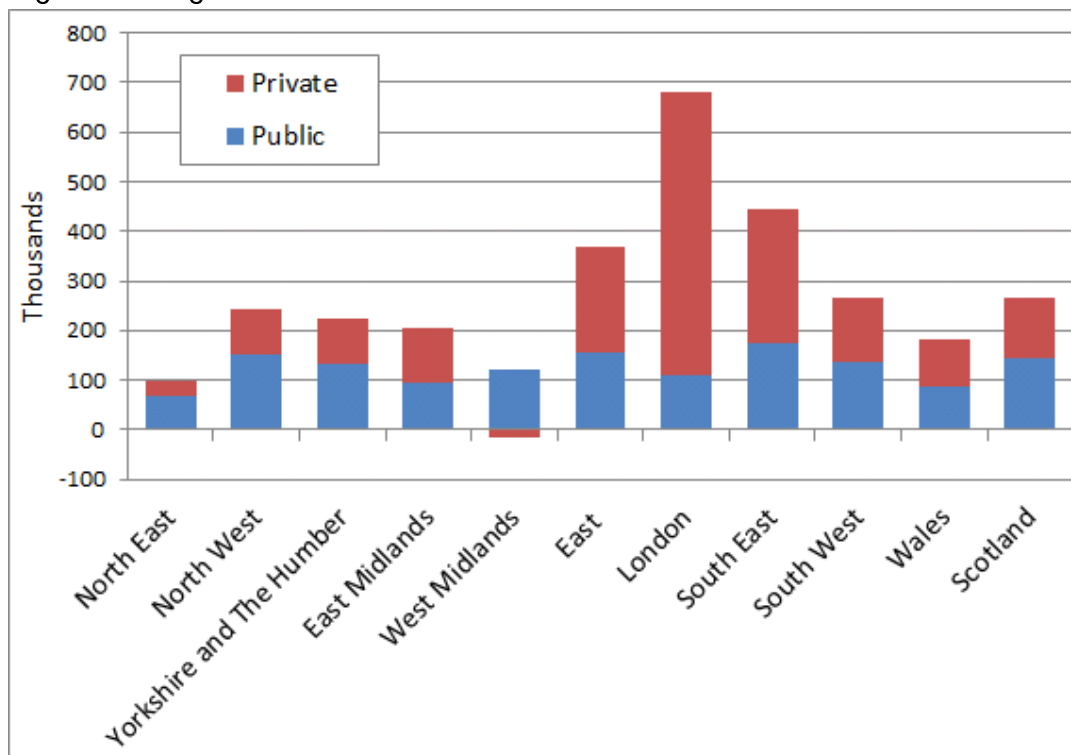
Note: *The Coefficient of Variation is a measure of dispersion calculated as: Standard Deviation/Mean. A higher number indicates greater inequality of GVA per head or unemployment.*

An analysis of regional workforce jobs growth data suggests that a large proportion of the additional jobs – outside of London and the South East – created between 1997 and 2007 were in the public services.

As Figure 3 shows, in some regions well over half of all the jobs created in the decade from 1997 were in the public services, and at a national level the figure stands at around 45 per cent of jobs created. In the North East and the West Midlands this is particularly striking:

- Of the 99,000 jobs created in the North East 71 per cent of these were in the public services; and,
- In the West Midlands the public services accounted for all jobs created over the period while the private sector contracted.

Figure 3 - Regional Jobs Growth, 1997-2007



Source: *Workplace Jobs, ONS*

Recent research⁴⁴ which has included the 'para-state sector'⁴⁵ suggests that the data presented in Figure 3 underestimates the scale of the public versus private sector jobs growth. In the research they estimate that if para-state employment is included, over the last fifteen years 57 per cent of all new jobs were created in the public sector. This is even more pronounced for regions outside of London and the South East, for instance in the North East and West Midlands 79 per cent and 153 per cent of net jobs growth was accounted for by the public and para-state sectors.

⁴⁴ Buchanan, J, Froud, J, Johal, S, Leaver, A, Williams, K (2009) Undisclosed and unsustainable: problems of the UK national business model, CRESC Working Paper Series, Manchester University/Open University

⁴⁵ Activities which have been outsourced to public services such as rubbish collections or nurseries

Box. D The West Midlands Economic Performance

The West Midlands' economic performance has continued to drift away from the UK average despite a sustained period of intervention. In 1997 GVA per head stood at 89 per cent of the UK average; a decade later it had fallen to 83 per cent.

The number of people in employment increased over the period by around 2 per cent – the lowest increase of all the regions – and compares unfavourably to increases of 13 per cent in London and 11 per cent in the South West. Slower than average growth meant that by 2007 the West Midlands employment rate was 2 percentage points lower than the English average, a worse position than in 1997 when it was only 0.2 percentage points lower.

As highlighted in Figure 3 the public sector accounted for all the jobs created between 1997 and 2007 in the region while the private sector contracted, losing around 17,000 jobs. This was driven by the continued loss of manufacturing jobs from the region, 227,000 of which were shed over the decade (-39 per cent), - a faster rate of decline than in England as a whole (-31 per cent).

3.4 Conclusions

The evaluation evidence from the PwC assessment suggests that the RDAs provided significant benefit and value added to their regions. However, economic and labour market data would suggest that they were unsuccessful in their aim to narrow the gap between the least and most successful regions.

Disparities in economic performance accelerated during the period they were in operation. Much of convergence on employment and unemployment can be attributed to increased public sector expenditure and jobs growth which disproportionately benefited regions outside of London and the South East.

However, this is not to say they failed. Firstly, **the impact of any policy is very difficult to separate from what would have happened in its absence.** Perhaps we might have seen spatial disparities widen even more without intervention. This, however, is not a justification for the continuation of policies which are deemed to be ineffective.

Secondly, **spatial disparities have been a persistent feature of the UK economy for a long time, so to narrow the gap between the regions could be seen as an unrealistic ambition.** This is particularly the case when you take into account that RDA expenditure, although historically quite significant, only accounted for an average 0.7 per cent of total public spending going into the regions.

Finally, it can also be said that the RDAs **lacked control of many of the levers necessary to stimulate or create growth.** For instance, they did not have control

over infrastructure, housing (until towards the end of their lifespan), planning or skills budgets or decisions. Further, there was limited investment in infrastructure – since the turn of the century the proportion of GDP invested in infrastructure fell behind the OECD average ⁴⁶ – and where money was invested it was overwhelmingly invested in the Greater South East and London.⁴⁷

⁴⁶ Perry, C (2011) Growth, Growth, Growth; new ideas for growth and prosperity in the 21st Century, Centre for Policy Studies

⁴⁷ OECD (2010), Regional Development in OECD Countries, OECD

4. Tackling disparities at the neighbourhood level – evidence from the New Deal for Communities

As highlighted in Chapter 2 the UK has a long history of urban policy dating back to the 1960s when Harold Wilson launched the Urban Programme. Since then Britain's cities have witnessed successive waves of regeneration initiatives targeting small areas.

This section looks at the successes and failures of one of most well resourced and longest running area-based-initiatives this country has ever seen: the New Deal for Communities (NDC).

4.1 Urban Policy 1997-2010

Alongside a concerted attempt to reduce regional disparities via the RDAs the government also sought to revamp urban policy. The regeneration agenda was strongly prioritised and an unprecedented amount of time and resources were allocated.

Box E. Urban Regeneration – a definition

Urban regeneration can be defined as: *“the holistic process of reversing the economic, physical and social decline of places where market forces alone won't suffice”*⁴⁸

Urban regeneration aims to improve disadvantaged places and the lives of people who live in them. Regeneration practices are varied and can include policies ranging from those narrowly on one particular element, such as infrastructure or property, to policy which seeks a 'holistic' integrated approach across the social, economic, environmental and physical aspects of a place.

In 1997 the Social Exclusion Unit (SEU) was set up with the aim to develop co-ordinated policies to address social exclusion. In 1998 it published a report⁴⁹ analysing the problems in 1,300 of the most deprived neighbourhoods. The report criticised urban policy of the 1980s for its narrow overemphasis on land and property-focused regeneration. It underlined the lack of co-ordination between

⁴⁸ The Scottish Government (2011), *Achieving a Sustainable Future: Regeneration Strategy*, The Scottish Government

⁴⁹ Social Exclusion Unit (1998) *Bringing Britain together: a national strategy for neighbourhood renewal*. SEU.

central and local players⁵⁰ as well as inability to engage mainstream actors such as the police and foster co-operation amongst local agencies.⁵¹

It was decided that a more holistic approach was needed to target inequalities within neighbourhoods, as well as a greater emphasis on forging partnerships and involving communities in the process of enacting change. With these objectives in mind, the government launched the NDC programme in 2001.

4.2 The New Deal for Communities Programme

“My vision is of a nation where no-one is seriously disadvantaged by where they live, where power, wealth and opportunity are in the hands of the many not the few.”⁵²

The NDC programme sought to transform 39 deprived neighbourhoods across England over a ten year period. It differed from previous ABIs in the range of outcomes it hoped to achieve. These outcomes were:

- **three ‘place based’ outcomes** encompassing crime, community, and housing and the physical environment (HPE); and,
- **three ‘people based’ outcomes** which covered education, health, and worklessness.⁵³

The rationale behind such ambition was that holistic regeneration might enhance cross-outcome benefits: that achieving gains in one outcome would help drive improvement in others.⁵⁴ A series of priorities that would be appropriate for deprived neighbourhoods to address were recommended by central government. These included: helping people into work; strengthening skills; supporting businesses; offering better local services; and being more responsive to the needs of young people.⁵⁵

The approach was based on an improved understanding of the drivers and processes of neighbourhood deprivation – driven, in part, by a stronger evidence base of small area data. Figure 4 provides a theoretical representation of the

⁵⁰ Ibid

⁵¹ Ibid.

⁵² Foreword by Tony Blair in Social Exclusion Unit (2001) A New Commitment to Neighbourhood Renewal: National Strategy Action Plan, Cabinet Office

⁵³ Batty, E., Beatty, C., Foden, M., Lawless, P., Pearson, S., and Wilson, I. (2010) New Deal for Communities Experience: A final assessment, DCLG

⁵⁴ Ibid

⁵⁵ Ibid.

range of factors that can affect conditions in a neighbourhood or other small area. These include⁵⁶:

- **External economy and labour market factors** - Economic restructuring, particularly the decline of the manufacturing sector, a weak local economy with barriers to employers or investors and barriers to individuals seeking work;
- **The characteristics of the neighbourhood** – such as its physical location (e.g. out of town estate, inner city neighbourhood), its facilities, age structure and socioeconomic makeup of residents, housing composition and trends in the housing market;
- **Public services and delivery systems failures** – fewer doctors, worse schools, poor public transport infrastructure, and more pressure on remaining services – alongside concentrations of people who put more pressure on services such as older people, disabled people, and those from black and minority ethnic groups;
- **Dynamic interactions and processes of change** - These include changing conditions affecting both a neighbourhood's population (such as trends in worklessness, health, and skills) and the area itself (such as environmental quality, crime levels, new investments and the quality of service provision), as well as population movements for example, where in-movers are more deprived than out-movers.

Box F. Kings Norton Three Estates and Aston Pride NDC areas⁵⁷

Birmingham Kings Norton: Three Estates - A peripheral housing estate located in the southeast outer ring of the city. The NDC area consists of three council estates built in the 1950s and 1970s. The population is mainly white and has a high proportion of homes in the social rented sector. The decline of the Birmingham manufacturing industry has largely affected out of town estates – like Kings Norton - which were located next to the large car manufacturing plants. Where jobs have been created in the city they have mostly been created in the city centre which is a couple of bus rides away.

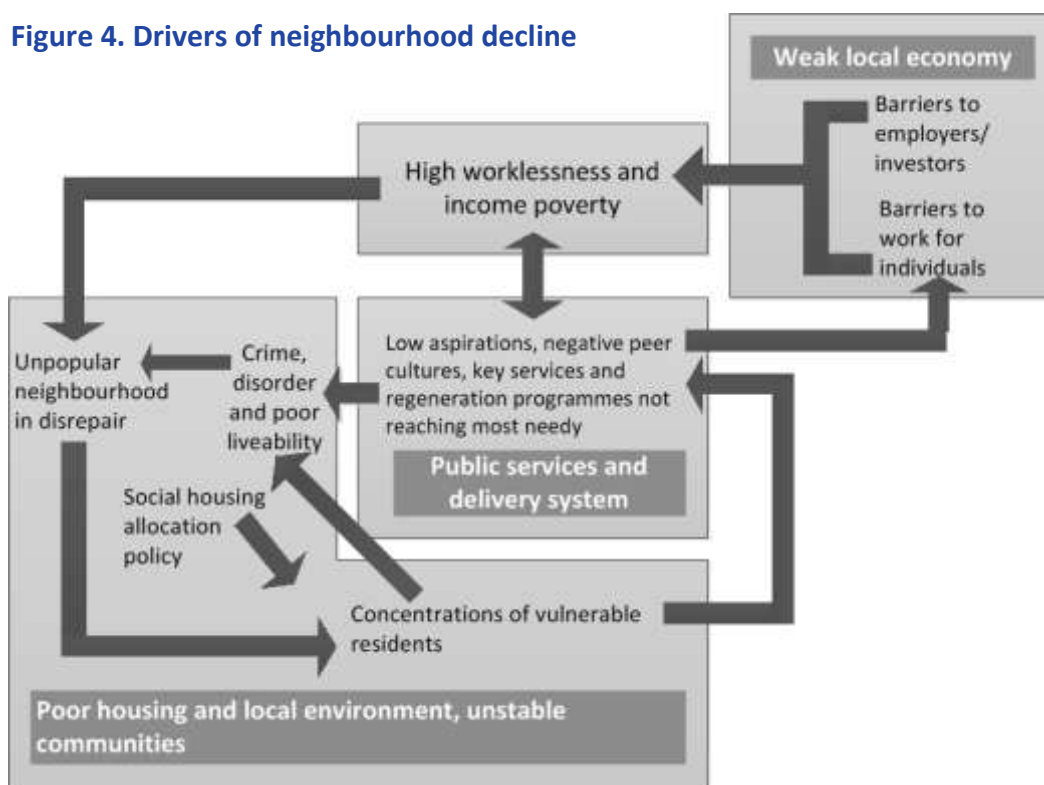
Birmingham Aston: Aston Pride NDC - The Aston Pride NDC area is on the northwest side of Birmingham City Centre. The area contains a mix of residential and industrial areas and has an ethnically diverse population and a higher proportion of young people. The Aston area was affected by the collapse of the

⁵⁶ Prime Minister's Strategy Unit (2005), *Improving the prospects of people living in areas of multiple deprivation in England*, Cabinet Office

⁵⁷ CRESR (2005) *The 39 NDC Areas Brief Pen Portraits*, Sheffield Hallam University

manufacturing industry which has been replaced by low skilled/low wage service sector jobs.

Figure 4. Drivers of neighbourhood decline



Source: Adapted from Prime Minister's Strategy Unit 2005

To enable partnerships to deliver the desired transformation, the programme was given £2 billion over its lifetime, or the equivalent of £50 million per partnership. While this may appear to be a fairly generous amount (and is indeed historically), the population of each NDC area was approximately 10,000 people, meaning that the funding worked out to be roughly £100 per annum per head per outcome.⁵⁸ So while the project overall was of significant size, there are clearly limits to what can be achieved when such resources have to be spread widely.

The primary aim of the initiative was to close the gap between the NDC areas and the rest of the country.⁵⁹ According to the Social Exclusion Unit (SEU) – which was instrumental in its conception - NDC would be the “*most concerted attack on area deprivation this country has ever seen*”.⁶⁰

⁵⁸ Lawless, P., Overman, H., and Tyler, P. (2011) Strategies for Underperforming Places, London: Spatial Economics Research Centre, LSE

⁵⁹ Department of Environment, Transport, and the Regions (DETR) (2001a) New Deal for Communities: financial guidance. London: DETR.

⁶⁰ Social Exclusion Unit (SEU) (1998) Bringing Britain together: a national strategy for neighbourhood renewal. SEU.

4.3 What worked? Evidence from the national evaluation

NDC has been evaluated by the Department for Communities and Local Government (CLG) in relation to the degree of change it achieved in its six outcomes; reduction of the national gap; value for money; relationships between partners; the level of participation from the community; and any on-going impact sustained following the cessation of funding.⁶¹

Amongst these, the biggest improvements were for indicators of people's feelings about the neighbourhoods they lived in. The NDC arguably **made the most difference to place**, addressing people's fear of crime and elevating the attractiveness of the area through refurbishing homes and improving their appearance.

The NDC areas were assessed on 36 core indicators, six from each of the three place-related and three people-related outcomes. Results from the national evaluation found:

- Improvements across NDC areas were seen in 32 of these indicators; and for 26 out of the 27 indicators, where significance testing is possible, the change was statistically significant.

Only two showed statistically significant negative change:

- The proportion of residents in receipt of means-tested benefits increased. This probably reflects changes in the benefit systems between 2002-2008, such as the introduction of Working Tax Credits. It could also reflect the fact that many NDC areas focused on increasing benefit uptake as a way of increasing the incomes of residents.
- There was a rise in the proportion of residents doing no physical exercise, which was the only core indicator that showed a clear deterioration across the six year period.

Evidence from the evaluation pointed to the benefits of adopting a holistic approach to regeneration. For example, increased spend on place based activities was associated with better outcomes in relation to worklessness for instance.⁶²

The evaluation also showed that the programme managed to narrow the gap between the NDC areas and the national average. Figure 7 presents this data – and

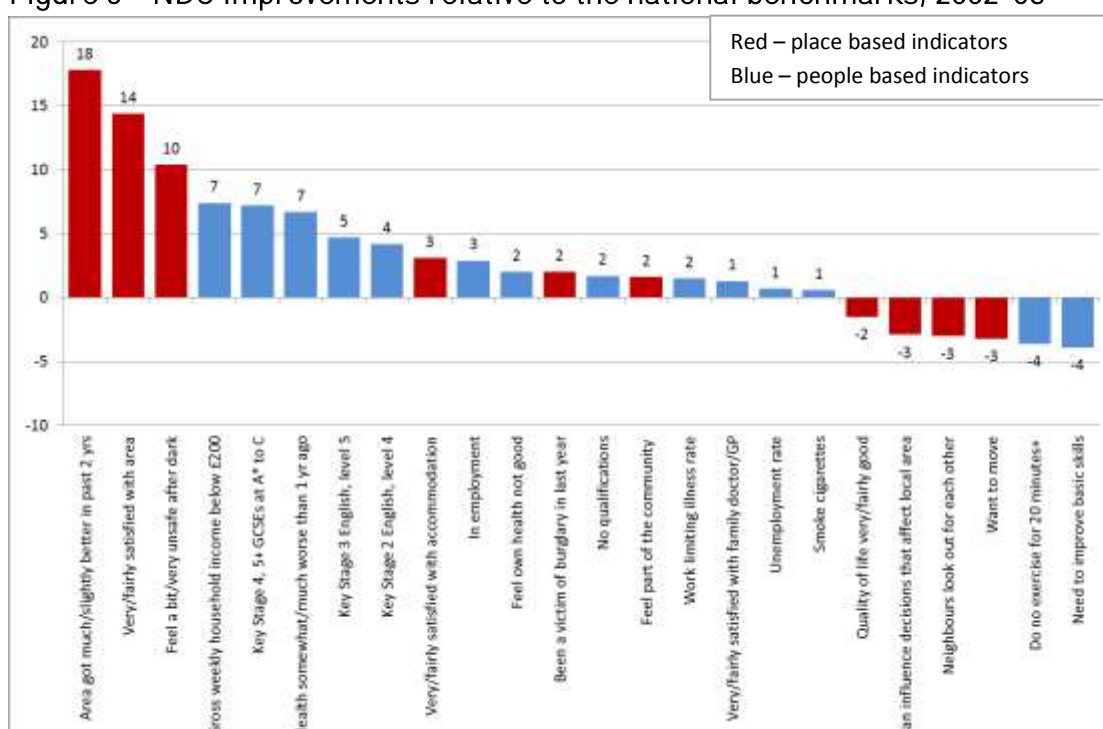
⁶¹ Batty, et al. (2010) *New Deal for Communities Experience: A final assessment*, London: DCLG

⁶² Batty, et al. (2010) *New Deal for Communities Experience: A final assessment*, London: Department for Communities and Local Government.

compares the change in 24 of the 36 core indicators for which there are national benchmark data available. This shows that:

- NDC areas showed more improvement than the national benchmark for 18 out of 24 indicators. This was particularly marked for two indicators - feeling the area had improved in the past two years, and satisfaction with the area.
- For six indicators the national average improved by more than the NDC average: three out of four 'community' indicators; the proportion of residents wanting to move; the need to improve basic skills, and; doing no exercise for 20 minutes or more.

Figure 5 - NDC Improvements relative to the national benchmarks, 2002-08



Source: Data accompanying the NDC Evaluation Technical Report - Data Source - Ipsos MORI NDC Household Survey 2002-2008

Evaluation evidence shows a number of other positive benefits. There was obvious effort to include the residents in community initiatives; for example, through introducing resident board members to validate proposed projects.⁶³ Alongside this, NDC succeeded in building up local expertise by drawing its workforce from the community and maintaining continuity in staffing to preserve good relations

⁶³ Ibid.

with residents and other delivery agencies.⁶⁴ Maintaining continuity at a leadership level proved especially fruitful—the evaluation found a relationship between positive changes and keeping NDC directors/chief executives in their posts.⁶⁵ Finally, there were some succession strategies developed, including the creation of successor bodies and the securing of financial support from delivery agencies once mainstream funding came to an end.⁶⁶

4.4 Findings from Birmingham – Kings Norton Three Estates NDC and Aston Pride

The Kings Norton NDC saw greater improvement, relative to national benchmarks, on 14 of 24 indicators. The indicators which saw the most improvement, relative to the national average, were ‘people’ indicators on young people’s educational achievement, health and income. There were also positive movements on a number of ‘place’ indicators. Less positively there was a fall in the number of people in employment and an increase in the unemployment rate.

Aston Pride had the most improvement composite index of any NDC area in the country⁶⁷. The Aston NDC saw improvement across people and place based indicators – and saw improvements, relative to the national benchmark average, across 19 of 24 indicators. The most notable improvements were for:

- Place indicators of feeling the area had improved significantly, area satisfaction, and feeling safer after dark; and,
- People indicators of income, educational achievement, employment and health.

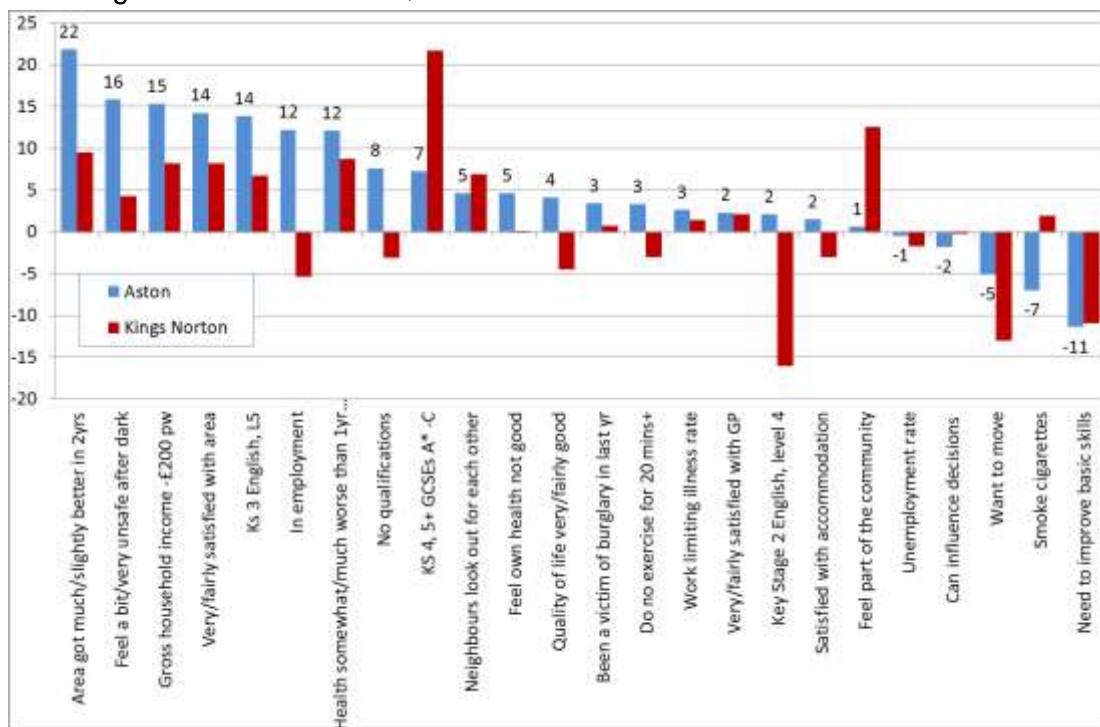
⁶⁴ Lawless, P., Overman, H., and Tyler, P. (2011) *Strategies for Underperforming Places*, London: Spatial Economics Research Centre, LSE

⁶⁵ *Ibid.*

⁶⁶ Batty, et al. (2010) *New Deal for Communities Experience: A final assessment*, London: Department for Communities and Local Government.

⁶⁷ Birmingham City Council (2011) *Aston Pride New Deal for Communities Programme Review 2001-2011*

Figure 5 - NDC Improvements relative to the national benchmarks, in Aston and Kings Norton NDC Areas, 2002-08



Source: Data accompanying the NDC Evaluation Technical Report - Data Source - Ipsos MORI NDC Household Survey 2002-2008

Less positively, both areas had an increase in the number of people who wanted to move from the area and also an increase in the number of people needed to improve basic skills levels.

Out of all the NDC areas in the country the Aston Pride NDC saw greatest improvement on people based indicators of education and worklessness – and placed second on improvements in health.⁶⁸

Differences between the improvements seen in the two NDC areas will in part be due to the different characteristics of both the areas (i.e. relative geographic isolation of the Kings Norton estate from employment centres, size of area) and the people who live there (skills levels, employment status and ethnic backgrounds for instance). However, differences in achievement must also, in part, relate to the emphasis placed on different programme outcomes. For example, whether making an area safer and accommodation better had greater emphasis placed on it locally than securing employment opportunities for residents. Analysis of financial expenditure information shows that:

⁶⁸ Birmingham City Council (2011) Aston Pride New Deal for Communities Programme 2001 to 2011

- the Aston Pride NDC⁶⁹ spent double on programmes on employment related initiatives (16 per cent of total programme expenditure) compared to the Kings Norton NDC (8 per cent)⁷⁰; and,
- Kings Norton NDC spent a much larger proportion of total spend on housing and environmental improvements (40 per cent on housing and the environment and the New Futures redevelopment programme) compared to Aston Pride (15 per cent of programme spend).

4.5 What didn't work and why? Evidence from the national evaluation

While the NDC programme led to improvements on a number of different metrics, it failed to achieve the level of change which was anticipated. Despite positive change when compared to the national average when benchmarked against comparator areas – that is, similar areas to the NDC recipients' areas but without the NDC resources – the picture of improvement is less clear-cut. Positive change on this measure was associated much more with place based indicators – for example when assessed against what happened in the comparator areas, there was no evidence for statistically significant net positive change in relation to worklessness, a people-based measure.⁷¹

A number of evaluations, including that of CLG, stressed the importance of setting more realistic targets for future regeneration schemes. More needed to be done to manage expectations, especially that of residents; many had inflated views in relation to the speed at which projects could be delivered, or the degree to which they might benefit.⁷²

It may have been expected that the level of expenditure would be associated with substantial change, but when we acknowledge that funding is stretched across six outcomes we better understand why the impact was minimal – particularly when comparing outcomes to comparator areas. In addition to insufficient funding for such an ambitious programme, the time-scale was inadequate. Ten years may have been the longest ABI run to date, but it has been argued that the time frame did not reflect the enormity of its objectives, especially since it neglects to take into account a year zero—the initial period of time that is consumed by a host of set-up

⁶⁹ Birmingham City Council (2011) Aston Pride New Deal for Communities Programme 2001 to 2011

⁷⁰ Shared Intelligence (2009) Kings Norton 3 Estates NDC theme evaluations: Final Report for Kings Norton NDC

⁷¹ CLG (2010) The New Deal for Communities Experience: A final assessment The New Deal for Communities Evaluation: Final report – Volume 7, CLG

⁷² Ibid.

tasks.⁷³ Unfortunately, the likelihood of an ABI spanning any longer is low because of political constraints, and because politicians and officials demand more immediate returns on investment; as Lawless et al. observe:

“It was not in their interest to sit on longer-term initiatives whose positive outcomes would emerge, if at all, long after they had left this particular watch.”⁷⁴

It could be argued that enormous pressure was placed on NDC areas to deliver ‘quick wins’ at the expense of developing innovative and effective joint-working.

Although the NDC was meant to embody bottom-up community-led regeneration another major issue with the NDC programme was that the centre played too dominant a role, hurting local flexibility. For example, in some cases focusing on fewer outcomes would have better reflected local priorities and conserved resources as opposed to stretching them thin across initiatives of little relevance.⁷⁵ In addition, NDC partnerships emphasised the contradiction between a community-led, locally governed programme and the requirements of central management and monitoring; this led many NDC partnerships to feel that they have not always had freedom to determine their own priorities.⁷⁶

A further aim of the NDC programme, in line with a number of other area-based initiatives, was to bend mainstream provision to meet the needs of the local people. At its heart the ‘mainstreaming’ agenda was driven by the desire to encourage public agencies to use mainstream budgets in ways that are complementary. It was envisaged that these would be used to supplement resources directed through ABIs, with the longer-term aspiration being that the targeted area-based assistance can be phased-out as mainstream programmes become more locally flexible and focused. However, given the context of restricted local authority budgets in many cases it has been found that those areas which benefited from central government regeneration monies actually had mainstream local resources withdrawn.⁷⁷

⁷³ Ibid.

⁷⁴ Lawless et al (2010).

⁷⁵ Lawless et al (2011).

⁷⁶ CLG (2010), The New Deal for Communities Programme: Achieving a neighbourhood focus for regeneration The New Deal for Communities National Evaluation: Final report – Volume 1, CLG

⁷⁷ Stewart and Howard (2004) Mainstreaming in NDC Areas: Evidence from the National Evaluation 2004/05, Research Report 66, Sheffield Hallam University

Box G. Kings Norton Three Estates NDC – difficulties in mainstreaming

The evaluation of the Kings Norton Three Estates NDC published in 2009⁷⁸ echoes many of the national evaluation findings. In particular the difficulty experienced by many NDCs in 'bending' or 'mainstreaming' local initiatives:

"The NDC has found it more difficult to translate its projects into a coherent set of strategies that are supported and can be maintained by mainstream service providers"

The NDC saw very little change in regards to individual level outcomes. This was especially true when it came to worklessness, which, when taking into account that only 12 per cent of the overall budget (£167 million) was spent on worklessness initiatives, is hardly surprising.⁷⁹ To put this into perspective, the majority of the money was spent on housing and physical environment, amounting to a portion of 31per cent, or £427 million.⁸⁰

The negligible impact NDC appeared to have on worklessness, however, may be partly attributed to leakage. The churn that some of these areas experience may mean that some residents who did benefit from initiatives (for example, through gaining skills or finding employment) decided to move away from their neighbourhood. However, it is acknowledged in the evaluation that in reality this only had a limited impact. In fact, evidence suggests that it is those areas which have relatively low levels of churn and stable homogenous populations that saw the least change on people-based measures of worklessness, skills and health.⁸¹ The NDC areas included in this cluster were largely white working class neighbourhoods located on peripheral housing estates in smaller cities (Norwich, Oldham, Derby and Luton). It was argued that these areas suffered from particularly low levels of mobility, poor public services and transport infrastructure and lack of available local job opportunities.

Not enough attention was paid to population churn and the role that different neighbourhoods can play in the housing market. A recent study⁸² has looked at the

⁷⁸ Shared Intelligence (2009) Kings Norton 3 Estates NDC theme evaluations: Final Report for Kings Norton NDC

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ Beatty, C, Foden, M, Lawless, P, Pearson, S and Wilson, I (2009) Transformational change? A synthesis of new evidence 2008-09, CLG

⁸² Centre for Urban Policy Studies, Manchester University (2009), A typology of the function roles of deprived neighbourhoods, DCLG

functional roles that deprived areas play. The analysis suggests deprived neighbourhoods play different functional roles in the housing market and that some deprived neighbourhoods actually play a positive role. 'Gentrifier', 'Transit' and 'Escalator' areas appear to play more positive functional roles in their local housing and labour markets. Gentrifier areas represent areas that are in the course of being upgraded through in-migration; Transit areas offer a valuable springboard for new households at an early stage of their life cycle; and Escalators are part of a mainstream process in which households progressively improve their economic and housing circumstances.

Box H. The role of neighbourhoods - Kings Norton NDC and Aston Pride NDC areas⁸³

Aston Pride and Kings North Three Estates were identified as having relatively low residential mobility compared to other NDC areas. The Kings Norton NDC was identified as an 'Isolate' area (where in and out moves are largely restricted to similar or poorer areas). Isolates are neighbourhoods associated with a degree of entrapment of poor households who are unable to break out of living in deprived areas. Aston Pride, on the other hand was identified as a Transit area (both in-moves and out-movers come from/go to less deprived areas).

It can also be argued that for many of the challenges that the NDCs were trying to address the neighbourhood is the wrong spatial scale at which to be acting. This is particularly true for worklessness, skills, housing and transport which need to be tackled at the level of the functional economic areas. In the case of worklessness it has been argued that the *"NDCs, as neighbourhood-level institutions, have not always been in a position fully to appreciate the dynamics of the wider labour markets"*⁸⁴

⁸³ Beatty, C, Lawless, P, Pearson, S and Wilson, I (2009) Residential mobility and outcome change in deprived areas: evidence from the New Deal for Communities Programme, CRES, Sheffield Hallam University, DCLG

⁸⁴ Beatty, Crisp, Foden, Lawless and Wilson, (2009) Understanding and tackling worklessness: Lessons and policy implications Evidence from NDC, CRESR, Sheffield Hallam, DCLG

Box I. Access to public services and connection to the wider labour market

Participants of the focus group held in Kings Norton highlighted the lack of public transport infrastructure and access to public services as a major barrier to employment. For instance, the nearest JobCentrePlus was said to be three bus rides away in Longbridge. Whilst the NDC was running there was a one stop job shop – providing valuable local services - but this could not be sustained once programme funding stopped.

4.6 Conclusions

Although the NDC did achieve positive change it achieved less than expected. The limited impact of people-based indicators is of particular concern. While area-based indicators saw more progress, people's perceptions of whether the area was better or felt safer was not always an accurate reflection of whether their individual hardship had improved; for example, whether they were any closer to financial independence, job security, or even moving out of poverty.

There was too little emphasis placed on people-based policies, especially when it came to tackling worklessness. In many places the programme also suffered from a lack of context, neglecting to consider how these neighbourhoods were affected by the broader regions within which they existed. It was previously noted that, "*small scale neighbourhood interventions were doomed because they failed to take into account how urban labour and housing markets worked*".⁸⁵

Ultimately, the lesson to be learned here is that **if the explicit goal is to improve economic performance then a healthier balance between place- and people-based policies is needed.** Putting in the effort to make communities safer and more attractive places can help to give people a feeling of more pride and confidence in the area. However, if the wider economic context— such as the ability of local residents to access employment opportunities—is neglected such policies are likely to have only a limited impact on addressing neighbourhood decline.

⁸⁵ Leunig, T and Swaffield, J (2008) Cities Unlimited: Making urban regeneration work, Policy Exchange

5. The future of regional and urban policy? The argument of people versus place

In summary the evidence presented in the last two chapters suggest that regional and urban policy – in the case of the RDAs and the NDCs – saw only limited, if any, success in their missions to reduce spatial disparities:

- In the case of the RDAs regional economic disparities actually accelerated over the period they were operating; and,
- NDC areas, although achieving significant improvements in relation to the places, experienced limited improvements to people based outcomes.

In light of the evidence some have started to argue for an alternative approach, one based much more on people rather than places. The following section considers the rationale for proposals.

5.1 The argument for an approach focused much more on people rather than place

The case for a people orientated approach argues that place based approaches to turning around declining areas have failed (see for instance Overman 2009, Glaeser 2005⁸⁶). Therefore, it is argued, the focus of policy should be:

- Supporting disadvantaged people to achieve better individual outcomes regardless of where they live (e.g. welfare and skills policy);
- Increasing geographic mobility so that it is easier for people to move to areas which are growing (social housing reforms, increased housing affordability); and,
- Reducing the barriers to the expansion of more economically successful places (e.g. land use and planning policies).

The next three sections consider each of these proposals in more detail.

5.11 Supporting disadvantaged people to achieve better individual outcomes no matter where they live

Firstly, not all poor people live in poor areas. Any approach which seeks to target resources at the most deprived places must take into account that many of the people they are seeking to reach do not live in the areas which are being

⁸⁶ Glaeser, E (2005) Should the Government rebuild New Orleans, or Just Give residents Checks, *The Economists' Voice*, Volume 2, The Berkeley Electronic Press

targeted. For instance, even when using the best small area data available – such as the Index of Multiple Deprivation 2010 – if you were to target the 5 million plus people living in the most deprived areas in England only 38 per cent would be income deprived; that means that 62 per cent of the people who would potentially benefit would not be income deprived. Therefore, the argument runs that not only is it more equitable to target programmes and support on individual/household characteristics it also allows for a more complete coverage of the social group and/or individuals you are trying to reach.

Secondly, while place orientated strategies invest money in distressed places, there is no guarantee they reach distressed people. Large infrastructure and building/rebuilding projects i.e. London Docklands UDC for instance, benefit land owners, businesses and owner occupiers. There is limited evidence of economic growth ‘spilling over’ or ‘trickling down’ to reach disadvantaged communities.⁸⁷

More fundamentally, it is argued that place orientated strategies are essentially trying to address the wrong problem. Overman et al⁸⁸ have argued that the differences between places is primarily the manifestation of differences between people. Therefore, by targeting places you are essentially targeting the wrong thing.

“Disparities across local areas in Britain are pronounced and very persistent but much of these disparities are driven by ‘people’ rather than place”⁸⁹

In their study of wage inequalities Gibbons, Overman and Pelkonen found that ‘sorting effects’ (differences in the characteristics of workers in different areas) account for 90 per cent of wage disparities between places while ‘area effects’ (different outcomes for the same type of worker in different places) only account for 10 per cent.⁹⁰ Moreover, when looking at overall wage disparities between individuals area effects were found to play an even smaller role (in their model less than 1 per cent). They also note that despite a period of sustained intervention to reduce spatial disparities the contribution of area effects to wage disparities

⁸⁷ Lee, N. and Cowling, M. (2012) Place, sorting effects and barriers to enterprise in deprived areas: Different problems or different firms? *International Small Business Journal*, doi:10.1177/0266242612445402

⁸⁸ Gibbons, S, Overman, H and Pelkonen, P (2010) Wage Disparities in Britain: People or Place?, SERC Discussion Paper 60, LSE

⁸⁹ Overman, Henry G. (2012) Investing in the UK’s most successful cities is the surest recipe for national growth. British Politics and Policy at LSE (26 Jan 2012) Blog Entry.

⁹⁰ Gibbons, S, Overman, H and Pelkonen, P (2010) Wage Disparities in Britain: People or Place?, SERC Discussion Paper 60, LSE

between 1998-2008 remained constant, which, they suggest, shows that policies to reduce spatial disparities had little or no impact.

Therefore, it is argued, policies should instead focus on improving outcomes for people who live in 'bad' areas and removing the barriers which prevent people relocating to 'better' areas.⁹¹ The later proposition is discussed below.

5.12 Increasing geographic mobility making it easier for people to move to places with strong economies

The argument is that if you can't tackle area effects – then the alternative is to make it easier for people to move to areas where they will be better off.

Migration, alongside commuting, can serve as an equilibrating mechanism in the labour market, and research suggests that it has worked to reduce regional unemployment disparities over the last few decades, particularly in the skilled labour market.⁹² However, migration as an equilibrating mechanism is very selective and takes a long time; with evidence suggesting that the UK has a relatively low level of mobility compared to the US and several other European countries.

The UK housing market, with its high prices and restricted supply, creates barriers to labour market mobility. This has been exacerbated by pronounced regional disparities in the housing market. London and the South East have been growing rapidly, yet housing in these areas has traditionally been undersupplied, restricting the ability of those on low incomes to move to these areas.⁹³ For all but the best-paid, large disparities between house prices prevent individuals moving from depressed areas to rapidly growing cities. In addition, the social housing system has traditionally been poorly responsive to movements, with individuals allocated a council house or flat finding it hard to transfer their tenancy to other parts of the country.⁹⁴ The argument is that if people were free to move than geographic disparities in performance would be eliminated.

Migration from declining regions and cities to more prosperous ones does happen but the process is very slow. Every year approximately 10 to 11 per cent

⁹¹ Gibbons, S and Overman, H (2011) Unequal Britain: how real are regional disparities? Centrepiece, LSE

⁹² Hughes, G and McCormick, B (1993) *Did Migration in the 1980s Narrow the North-South Divide?*, University of Edinburgh and Southampton

⁹³ Leunig, Tim and Overman, Henry G. (2008) Spatial patterns of development and the British housing market, Oxford Review of Economic Policy

⁹⁴ Hills, J (2007) *Ends and Means: The Future roles of Social Housing in England*, ESRC Research Centre for. Analysis of Social Exclusion.

of the working-age population change their address; most moves are over short distances with fewer than 2 per cent moving to a different region.⁹⁵ Of these moves the proportion of people moving to access job opportunities is quite small (approximately 13%) although when looking at moves between regions the proportion that move for employment reasons rises to almost a third (31%).⁹⁶

Migration is also a very selective process; for those most affected by poor economic conditions, such as people in unskilled or low skilled occupations, the level of migration is actually very low.⁹⁷ Those most likely to move for employment reasons tend to be younger than average, have higher skill levels, above average incomes, work in professional and managerial occupations, and have savings.⁹⁸ They are also much more likely to move between regions to access job opportunities than all other groups.⁹⁹

Part of the explanation for this pattern is that skilled workers are more likely to work in highly specialised labour markets that result in a limited number of jobs in a few geographic locations. These types of jobs draw from a national labour pool and are advertised nationally; while less skilled occupations, on the other hand, are more likely to be advertised and filled locally. Therefore, increasing the skills levels of disadvantaged people is likely to increase their mobility – thereby increasing the likelihood that they will move to areas which are growing.

As mentioned, **social housing also restricts geographic mobility.** Social housing, in its availability criteria has tended to concentrate vulnerable, workless people in the same place. This has created neighbourhoods where more and more people are without work – for example between 1981 and 2006 the proportion of social tenants in employment fell from 47 to 32 per cent, and those in full-time employment from 43 to 22 per cent.¹⁰⁰ Levels of residential mobility are very low within the social rented sector. For example, just one in twenty social tenants moved within the sector in the previous year compared to private rented where a third of private tenants in 2005-06 had not been in the same property a year

⁹⁵ Dixon, S (2003), Migration within Britain for job reasons Labour Market Division, Office for National Statistics

⁹⁶ Ibid

⁹⁷ Leunig, T. and Swaffield, J. (2008) Cities Unlimited: Making urban regeneration work, Policy Exchange.

⁹⁸ Ludwig, J. and Raphael, S. (2010) The Mobility Bank: Increasing Residential Mobility to Boost Economic Mobility. Washington, D.C.: Brookings Institute.

⁹⁹ Dixon, S (2003)

¹⁰⁰ John Hills, (2007) Ends and Means: The future role of social housing in England ESRC Research Centre for Analysis of Social Exclusion

before.¹⁰¹ In terms of increasing mobility – social networks and cultural factors need to be taken into consideration – people with a strong sense of local community and kinship may be reluctant to migrate to other areas.¹⁰²

A focus on improving individual outcomes – particularly skills – would improve the overall level of mobility in the UK as skilled workers are more geographically mobile. However, this would take a long time to have an impact. In the meantime, removing barriers to movement by increasing affordable housing in areas of high housing demand, alongside removing barriers to the mobility of social housing tenants, would seem to make sense. For these policies to be pursued it would require areas with already high levels of housing demand to be able to expand further. This is discussed below.

5.13. Reducing the barriers to the expansion of more economically successful places

A policy direction which focused much more upon people, by improving individual outcomes and increasing mobility so that people could move to areas which are growing, would require the expansion of more prosperous places.

As highlighted in the previous section **there are pronounced regional disparities in the housing market**. Housing in London and the South East has traditionally been undersupplied, restricting the ability of those on low incomes to move to these areas.¹⁰³

Housing completions, when benchmarked against the size of the population, in London have been historically low compared to other regions. . Low levels of house building alongside high and rising demand has inflated average house prices in the capital. In 2011 the median house price in London stood at £305,000 over one and a half times the English average (£185,000) – the picture is even more extreme at a local level; for instance, the London borough with the highest average house price is Kensington and Chelsea (£807,500), and is ten times higher than the City of Hull which has the lowest house prices in England (£85,000).

Evidence suggests that residents restrict house building in more economically successful cities, leading to very high house prices. David Albouy and Gabriel

¹⁰¹ John Hills, (2007) Ends and Means: The future role of social housing in England ESRC Research Centre for Analysis of Social Exclusion

¹⁰² Dawkins, C.J. (2006) "Are Social Networks the Ties that Bind Families to Neighbourhoods" Housing Studies

¹⁰³ Leunig, Tim and Overman, Henry G. (2008) Spatial patterns of development and the British housing market, Oxford review of economic policy

Ehrlich¹⁰⁴ found that as a place becomes more successful economically they become less successful at adding new housing. They relate this to both positive and negative externalities; in terms of economic success more people means wider and deeper labour markets and more knowledge spillovers and therefore high productivity, whilst on the housing side more people means more pollution and more congestion and therefore demands for more regulation and less house building.

In response to political pressure local authorities in areas of growth have restricted the amount of land that is released for housing, driving up the cost of living in more economically successful places. Overman et al¹⁰⁵ have demonstrated that high house prices act to reduce incentives to move to more prosperous areas. They found that, on average, higher after tax earnings are offset by higher housing costs in areas across Britain – on average rising one for one with the net earnings of households.

5.2 So what does all this mean for place based policy?

The arguments for a people based approach make good economic sense, however, they fail to take into account a number of factors:

5.21. If interventions require face to face service delivery it makes sense to locate them in the areas of greatest need

Lutpon¹⁰⁶ has clearly pointed out that targeting individuals, or client groups, instead of areas, is relatively easy if they involve transfer payments administered via an existing national system. However, if an intervention requires the delivery of a face-to-face service this makes less sense. She argues that such interventions are, by their nature, area-based. Service deliverers must be geographically located in the same area as their clients, and it makes sense to locate them in places where there are higher concentration of clients.

For interventions of this kind targeting individuals may well result in the same pattern of service delivery as targeting areas. Area targeting is possibly a simpler, and potentially less costly, way to achieve the same result and, if enough areas are selected can reach the majority of potential clients.

¹⁰⁴ Albouy, D and Ehrlich, G (2012) Metropolitan Land Values and Housing Productivity, National Bureau of Economic Research

¹⁰⁵ Gibbons, S, Overman, H and Resende, G (2010) Real Earnings Disparities in Britain, Department of Geography and Environment and Spatial Economics Research Centre, LSE

¹⁰⁶ Tunstall, R and Lupton, R (2003) Is Targeting Deprived Areas an Effective Means to Reach Poor People? An assessment of one rationale for area based funding programmes, CASE Paper 70, LSE

5.22. Although expenditure on spatially targeted policy increased, most policy measures are targeted at people rather than places anyway

Most targeting is already on the basis of individual rather than area characteristics and was so under previous governments despite the proliferation of spatially targeted initiatives. For instance, policies focused on supporting long-term unemployed people into work (such as the New Deal), supporting low skilled people to increase their qualifications (for instance, free training up to NVQ Level 2) and supporting/incentivising students from low income household to access training (i.e. the Education Maintenance Allowance) were all national programmes targeted at particular client/social groups no matter where they lived.

Although the RDAs were well funded in historical terms their annual budget of £2.2 billion needs to be considered in light of other government expenditure. For instance, in 2008 the government spent £3.3 billion on JobCentrePlus¹⁰⁷, £1 billion on contracted employment programmes¹⁰⁸ and £9 billion on Learning and Skills Council Funding (not including School Sixth Form funding)¹⁰⁹.

This point is further emphasised in the evaluation of the NDC Programme which states that although the programme was well funded in comparison with previous ABIs the *“scale of expenditure is minor when compared with mainstream spend available to all neighbourhoods and also in relation to the scale of change the Programme has ostensibly been set up to achieve”*¹¹⁰.

5.23. Some policies, which are relatively cheap and make a big impact, can only be carried out ‘in place’

By their very nature some policies have to be focused, and carried out, in place. The bulk (almost 60 per cent) of the NDCs’ overall budget was allocated to interventions designed to improve the housing and physical environment of NDC areas, reduce levels of crime and strengthen local communities. Evidence from the evaluation suggests that these types of place based interventions do not cost

¹⁰⁷ DWP (2009) Department for Work and Pensions Resource Accounts 2008-09, London, TSO

¹⁰⁸ DWP (2009) Department for Work and Pensions Resource Accounts 2008-09, London, TSO

¹⁰⁹ Total net expenditure for financial year 2007/08 minus School Sixth Forms - taken from Learning and Skills Council Annual Report 2007-08

¹¹⁰ Beatty, C, Foden, M, Lawless, P, Pearson, S and Wilson, I (2009) Transformational change? A synthesis of new evidence 2008-09, CLG

very much (with the exception of major housing refurbishment), are not time consuming and tend to lead quite rapidly to positive changes in public attitudes.¹¹¹

5.24. There is evidence that 'holistic' regeneration policy that focuses on both people and places can have additional positive spillover benefits

The NDC, as demonstrated in the last chapter, showed more positive change in relation to place; however, the evaluation also provided evidence of the benefits of adopting a holistic approach to regeneration. For example, increased spend on place based activities was associated with better outcomes in relation to worklessness and health. This demonstrates a case for holistic neighbourhood interventions to tackle worklessness and health. However, with worklessness interventions in particular, the planning needs to happen at a city region level and take into account wider economic and labour market issues.

5.25. Policy to raise people's skill levels and to enhance geographic mobility make good economic sense but it will take a long time to see the benefits

Policies which seek to enhance geographic mobility – either via raising skills levels or through reducing barriers and/or incentivising people to move through providing more affordable homes in areas of growth—will take a long time to have any impact. Further, it should also be recognised that whilst increased mobility in the social housing sector would be a welcome outcome, it is likely to have limited impact.

The Coalition government has expressed the desire to increase mobility in the social housing sector, and in October last year launched HomeSwap, an online scheme that allows social housing tenants who want to swap their home the opportunity to see available properties nationwide. However, it should be recognised that demand for similar schemes under the previous government was low; numbers moving under these schemes was very small, accounting for less than 0.05 per cent of all social tenants in 2005-06. However, it should be noted that many of these previous schemes sought to move people away from areas of high housing demand (for instance, London) to areas of lower demand (such as North and Midlands).

In addition, current, well publicised, changes to housing benefit are likely to exacerbate the problems of accessing employment whilst in the social rented

¹¹¹ CLG (2010), The New Deal for Communities Programme: Achieving a neighbourhood focus for regeneration The New Deal for Communities National Evaluation: Final report – Volume 1, CLG

sector – particularly in high cost rental areas such as London – as they will push people out to the margins of cities away from employment centres.

5.26. Policy to move ‘people to jobs’ could lead to further residualisation of vulnerable groups who are ‘left behind’ and further failures in public services

Although a people oriented policy which aimed to increase mobility would only happen slowly, there would, however, still be a need for a mechanism to address the issue of the people left behind. It is likely that any such policy would lead to an increased residualisation of people who remain, with a higher concentration of vulnerable groups. A falling population would lead to a declining resource base for local government and in such circumstances vital local public goods are likely to be underprovided. It will be appropriate for policy makers to channel money to those places for schools, policing, and infrastructure.

5.27. Even in areas of growth – particularly London – there are large numbers of people excluded from the labour market and intense pressure on entry level jobs

If the answer is improving mobility amongst the lower skilled then this needs to take into account a number of factors. Firstly, individuals with no qualifications do seem to have better labour market outcomes in more successful labour markets: for example, 53 per cent of those with no qualifications are in work in Oxfordshire versus only 33 per cent of those in Tees Valley or Liverpool City Region.¹¹²

However, in London this is not the case; despite economic and jobs growth in the city, large numbers of people are excluded from the labour market and certain groups experience far worse labour market outcomes than similar groups in other parts of the country. The employment rate gap for the low skilled (below NVQ level 2) in London, particularly in Inner London, is substantially bigger than in the rest of country and cannot be explained by the characteristics of the population (i.e. sorting effects).¹¹³

This is partly explained by a number of features of the London labour market which cause intense competition for entry level jobs. These features include: the concentration of jobs in the centre of the city which encourages job search from commuters from Outer London; the attractiveness of the capital of overseas and internal migrants; and, the transport, information structures and the cost of

¹¹² Data is on Local Enterprise Partnership boundaries; Source: Annual Population Survey, December

¹¹³ HM Treasury (2007) Employment opportunity for all: tackling worklessness in London, HMSO

commuting means that Inner London residents find it difficult to access alternative employment opportunities that exist outside London.¹¹⁴

5.3 Conclusions

There are no panaceas for economic development. Migration within the UK remains low, with considerable cultural and institutional barriers before a 'bringing people to the jobs' approach can work.

We fundamentally need an approach which is aimed at both supporting people and places. For instance, any national programme aimed at supporting the long-term unemployed enter the labour market must both seek to improve individual outcomes, but also be sensitive to 'place characteristics', such as transport infrastructure, availability of local jobs, and the existence (or absence) of social networks.¹¹⁵ In addition, people living in communities suffering from the worst of economic decline must be supported to achieve better individual outcomes; but, there also need to be measures put in place to ensure that vital local public goods continue to be provided and that continual low level regeneration limits the worst of physical decline.

With this in mind, in the next section we consider the current government's approach, and argue that the new approach of economic development faces considerable challenges. We then go on to suggest some potential policy responses which seek to address both people and place (Chapter 7).

¹¹⁴ HM Treasury (2007) Employment opportunity for all: tackling worklessness in London, HMSO

¹¹⁵ There is evidence that workless people in areas of high unemployment may find it difficult to permeate the labour market if they lack sufficient contacts, especially those already in work, as the majority of vacancies are filled through word-of-mouth

6. The Coalition's approach

The Coalition is, like previous administrations, concerned about the existence of spatial disparities. In particular they want to 'rebalance' the economy away from the Greater South East and end the reliance on the public and financial sectors for jobs and growth:

*"it is essential that growth is not concentrated in certain sectors or areas of the country but that it is balanced across all regions and industries"*¹¹⁶

The Coalition has criticised the approach to economic development taken by the previous Labour administration¹¹⁷ and stated that a new approach is needed. However, as this section sets out, this 'new approach' faces considerable challenges given the weaknesses in the economy and public sector cuts.

6.1 The transition from RDAs to Local Enterprise Partnerships

One of the first aims of the Coalition was to abolish RDAs. The Conservative critique of RDAs were that they were based on 'wrong and arbitrary boundaries' and lacked democratic accountability. In addition, the decision made in Labour's last term of government to transfer the responsibility of Regional Spatial Strategies (RSS) - which gave responsibility for housing target setting - away from Local Government was unpopular, particularly in the South East.¹¹⁸

Following the announcement of the abolition of the Regional Development Agencies (RDAs) in June 2010 the government invited proposals from groups of local authorities to form Local Enterprise Partnerships. LEPs were to be: based on 'real functional economic areas'; 'business led'; and, tasked with creating jobs and driving growth. The vision was that:

*"By combining strong business leadership with groups of local authorities whose planning, regulatory and public realm roles are critical to growth, these bodies will be able to bring an integrated approach across real economic geographies. This will be a major step forward in fostering a strong environment for business growth."*¹¹⁹

¹¹⁶ , BIS and DCLG (2010) Understanding Local Growth BIS Economics Paper No.7, BIS and DCLG

¹¹⁷ Ibid

¹¹⁸ The Smith Institute and Regional Studies Association (2012) Changing Gear – is localism the new regionalism? The Smith Institute

¹¹⁹ <http://www.bis.gov.uk/policies/economic-development/leps>

Yet, LEPs remain mostly unfunded – with the exception of a small capacity fund allocation - and the majority of RDA functions, including inward investment, sector leadership, business support, access to finance and innovation, have not been transferred and are to be led nationally instead.

6.12 The challenges facing Local Enterprise Partnerships

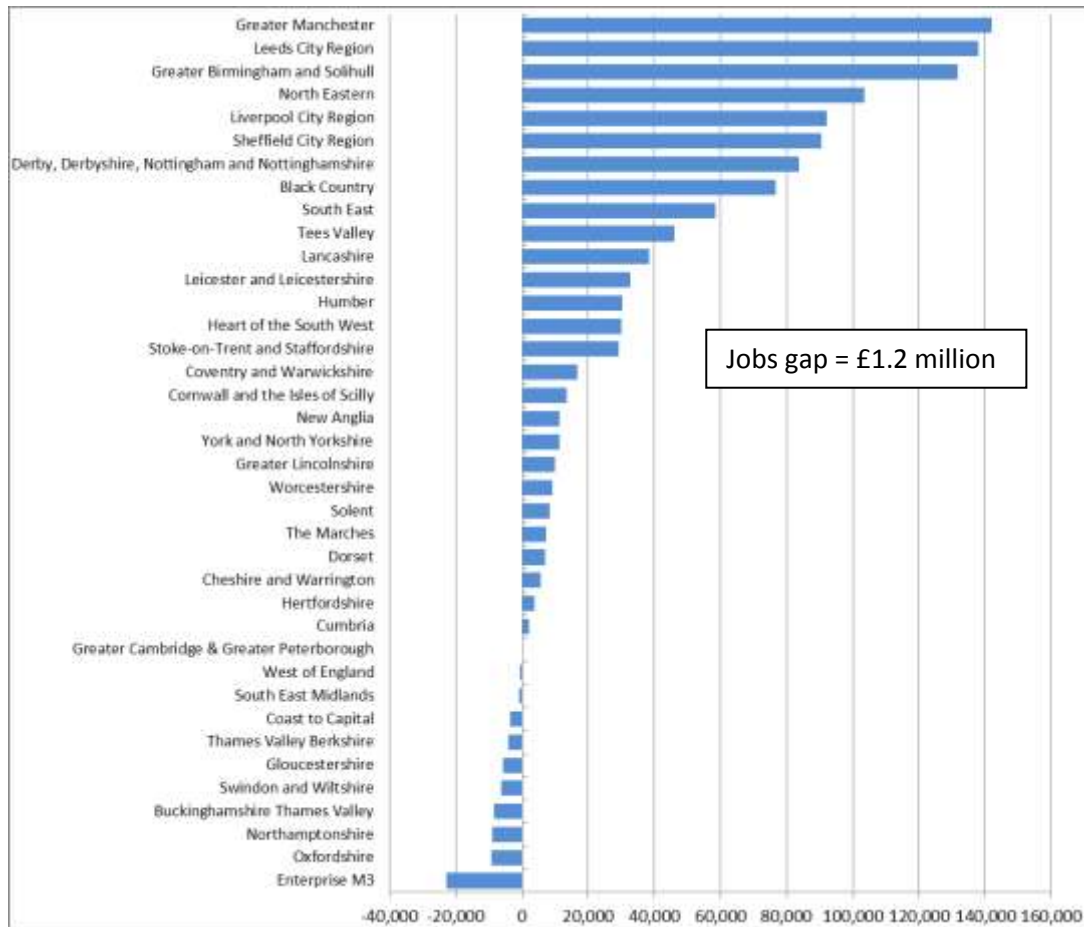
LEPs are tasked with generating jobs and growth, yet they do this in the face of significant and longstanding economic disparities and without the finances or the levers available to their predecessors, the RDAs. They also struggle with areas' differing abilities to create jobs. For example, different LEP areas have varying concentrations of the sectors likely to generate jobs and growth in the future and also have different skills bases.

Figure 9 shows the number of jobs that would need to be created in LEP areas outside of London if they were to reach the current South East employment rate – a common proxy for 'full employment'. This shows that an additional 1.2 million jobs would need to be created if these areas are to be able to offer enough opportunities for current residents.

This doesn't take into account the fact that many of these LEP areas are currently shedding private sector jobs and that many will likely experience public sector jobs losses as austerity measures impact further. The recent OBR forecasts¹²⁰ suggest that these are likely to total as many as 730,000 job losses over the next four years. These are likely to impact most heavily on those areas which have been dependent on the public services for jobs and growth.

¹²⁰ Office for Budgetary Responsibility (2012) Economic and fiscal outlook – March 2012

Figure 9 - Jobs Gap – number of jobs required to meet SE employment rate*, 2011

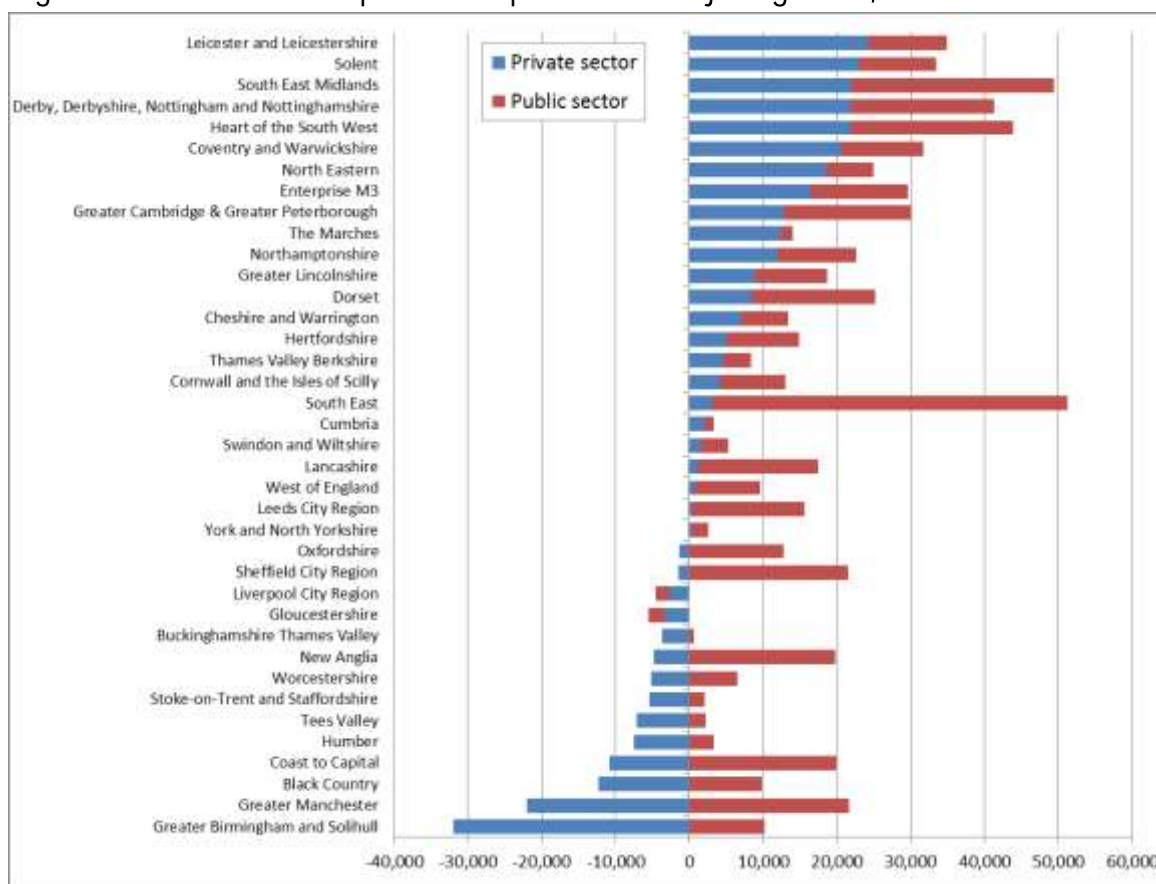


*SE employment rate in July 2010- June 2011 = 74.7 per cent
 Source: Annual Population Survey, July 2010-June 2011, ONS

Figure 10 shows the pattern of private and public sector jobs growth over the five year period leading up to the recession. Almost every area in the chart (with the exception of the Liverpool City Region LEP and the Gloucestershire LEP) benefited from a significant increase in public sector employment.

However, the pattern of private sector job growth was much more mixed. The LEP areas of Birmingham, Greater Manchester, the Black Country, Coast to Capital, Humber, Tees Valley and Stoke-on-Trent and Staffordshire all shed private sector jobs in the run up to the recession.

Figure 10: Pre-recession public and private sector jobs growth, 2003-2008



Source: Annual Business Inquiry, ONS

LEPs also have differing abilities to create jobs. Skills are increasingly important to economic growth and prosperity, yet the distribution of skilled individuals across LEP areas is highly uneven. This is likely to be exacerbated by public sector cuts because of previously created public sector opportunities for highly skilled individuals in economies with few highly skilled private sector jobs opportunities.¹²¹

Concentrations of people with high skill levels benefit economies by developing new ideas, economic growth and increasing individual incomes.¹²² Individuals with low skill levels are more likely to be in employment if they live in cities with highly skilled populations¹²³ – for example the employment rate for an individual with no qualifications in Tees Valley LEP or the Liverpool LEP is just 33 per cent compared to over 50 per cent in the more economically successful parts of the country, such

¹²¹ Wright, J (2011) Cutting the Apron Strings? The Clustering of Young Graduates and the Role of the Public Sector, The Work Foundation

¹²² Florida, R. (2008) Who's Your City? How the creative economy is making where you live the most important decision of your life, Basic Books, New York

¹²³ Lee, N. (2009) *Better Together? The clustering of the highly skilled and the implications for the low-skilled*. Ideopolis Snapshot Analysis, The Work Foundation

as the Oxfordshire LEP area (53 per cent) and Buckinghamshire Thames Valley LEP area (55 per cent).¹²⁴

The decision to scrap the RDAs was expensive and many have argued that it was done too quickly and without a proper transition period. Hayman¹²⁵ has estimated that because the RDAs had entered into long-term contracts, or held land in need of remediation, the government had to take on £1.4 billion in liabilities in addition to paying the redundancy bill for 2,000 staff at a cost of around £100 million. The cost of the decision to scrap RDAs was therefore roughly the same as their entire annual budget.

The move to close them so quickly has also come under fire from inside the Coalition, as Vince Cable stated:

“Getting rid of the RDAs and bringing in LEPs has perhaps been a little Maoist and chaotic.”¹²⁶

The scale of the cuts is particularly severe when considered alongside general local authority budget cuts. The closure of the RDAs has meant a significant reduction in economic development activities; between 2010/11 to 2011/12 around 3,000 regeneration, economic and business support projects were cut amounting to a reduction of 73 per cent in economic development activity.¹²⁷

6.2 The approach to community-led regeneration

The Coalition government set out its approach to support community-led regeneration in the 2011 paper entitled *Regenerating to Enable Growth*.¹²⁸ The document reiterated the Coalition’s commitment to ‘localism’ stated in the earlier Local Growth White Paper, and set out what they see as the ‘strategic and supportive’ role of central government:

- reforming and decentralising public services;
- providing powerful incentives that drive growth;
- removing barriers that hinder local ambitions; and,

¹²⁴ Source: Annual Population Survey, January 2010 to December 2010, ONS

¹²⁵ Hayman, Allister, LGC (2012) “*Local Government and growth*”, in *Changing Gear – is localism the new regionalism?* The Smith Institute and Regional Studies Association

¹²⁶ Vince Cable, Secretary of State for Business, Innovation and Skills (Autumn 2010) <http://www.bbc.co.uk/news/uk-politics-11744644>

¹²⁷ Hayman, Allister, LGC (2012) “*Local Government and growth*”, in *Changing Gear – is localism the new regionalism?* The Smith Institute and Regional Studies Association

¹²⁸ CLG (2011) *Regeneration to enable growth: What Government is doing in support of community-led regeneration*, CLG

- providing targeted investment and reform to strengthen the infrastructure for growth and regeneration and to support the most vulnerable.

The government has stated that is for *“local partners... to work together to develop local solutions to local challenges”*¹²⁹ and that it is *“not for Government to define what regeneration is, what it should look like, or what measures should be used to drive it”*.¹³⁰ Instead Government sees its role as *“providing the tools, flexibilities, options and powers that will allow local partners to develop their own regeneration strategy to address their own priorities”*.¹³¹

Under new clauses in The Localism Bill, city leaders, alongside LEPs, can make the case to be given new powers to promote economic growth and set their own distinctive policies. Cities seeking the transfer of functions will need to demonstrate, for example, private sector buy-in, robust governance structures, cross-boundary work and capacity to deliver. This is being pursued initially via the government’s City Deals, with the first wave of deals focused on England’s eight largest cities and their surrounding LEPs. In addition, Community Budgeting and Whole Place Budgeting are being piloted to enable local pooling of budgets to allow local areas to channel resources more effectively.

The government has put together a package of incentives with the aim to drive growth at the local level. Local authorities are being incentivised to build housing through the New Homes Bonus – a mechanism which allows councils to get double the council tax per home built for six years. Measures are also being introduced to enable councils to retain locally-raised business rates and giving local authorities power to grant business rate discounts. In addition, the Community Infrastructure Levy has been introduced to ensure neighbourhoods share the advantages of development by receiving a proportion of the funds councils raise from developers.

Finally, Tax Increment Financing (TIF), a mechanism by which local councils can borrow against future increases to business rate in order to fund key infrastructure and capital projects, is being piloted in parts of the county. The government has also simplified the planning system with the aim to remove ‘outdated’ planning rules imposed by Whitehall. A number of ‘vital targeted infrastructure investments’ are also cited, across the spending review period of £750 million for High Speed Rail and £7.5 billion for Crossrail.

¹²⁹ Department of Communities and Local Government (2012) Government Response to the House of Commons Communities and Local Government Committee Report of Session 2010-12 Regeneration, The Stationary Office

¹³⁰ Ibid

¹³¹ Ibid

6.21 Challenges facing of the Coalition's approach

The coalition's approach to spatial rebalancing faces considerably challenges. This section considers some of those identified by the Department of Communities and Local Government All-Party Select Committee.

The government's approach has been criticised by the All-Party Select Committee on regeneration:

*"The Government has cut public funding for regeneration programmes dramatically and has produced no adequate 'strategy' for regeneration sufficient to tackle the deep-seated problems faced by our most deprived communities."*¹³²

The lack of finance to support regeneration in deprived communities was of particular concern to the Select Committee – with figures showing a 65 per cent reduction in 'core regeneration'¹³³ funding over 2009-2012. The Select Committee argued that regeneration appeared to have been affected much more severely than other parts of the public sector, and that combined with cuts to local authority presented a real challenge to the ability to address the needs of deprived people.

Critics have argued that the Government's approach to regeneration is too focused on the pursuit of economic growth. Mechanisms such as TIF, Business Rate Retention and the New Homes Bonus risk a "winner takes it all" effect – areas with strong economic growth coupled with new physical development will retain greater resources to support investment in infrastructure and services – facilitating further growth.

More positively, the Community Budgets approach, which allows the pooling of resources from public bodies across a given local area, could make a really important contribution. As highlighted in this report NDC monies only accounted for just 10 per cent of additional public sector spend going into an area. If mainstream budgets can be pooled this would allow for concerted local action to join up and deliver locally responsive services for people in deprived communities. City Deals and other localism measures also offer the potential for local areas to develop bottom-up strategies for tackling worklessness and neighbourhood decline – and if LEPs work effectively there is an opportunity to co-ordinate and join up localised activity at the proper spatial scale.

¹³² Clive Betts MP, Chair of the All-Party CLG Select Committee, 2010

¹³³ excluding the additional cross-spending review streams such as rail and Olympic investment

However, there is the risk that the drive to more localised solutions and approaches will further fragment an already complex system. There is also the potential for widening disparities in economic and social outcomes as places seek their own approaches. It is questionable whether all areas will have the capacity and the skill set required to take up this challenge as well as the associated political and monetary risk of failure. Plus we know from previous experience that Whitehall moves slowly and is not good at 'letting go', so in the meantime this lack of funding or levers represents a real risk to the future of many of the UK's poorest communities.

6.3 Conclusions

For the first time in around forty years there is no national programme for neighbourhood regeneration targeted at the most deprived communities, and the loss of funding is already having an impact on local communities and organisations. The Government's figures show annual spending on "core" regeneration programmes¹³⁴ being halved in 2011/12, with a 65% reduction over the two years since 2009/10.

The incentive packages put together by government will only support growth in areas which are already growing and risk a 'winner takes all' effect potentially widening disparities between places – areas with strong economic growth coupled with new physical development will be able to retain even more resources to support additional investment helping facilitate further growth.

However, the drive towards a 'localist' agenda offers the opportunity to join up policies to support people and places. City Deals, and other policies such as Community and Place-based Budgeting, offer the prospect of designing and delivering tailored solutions which are sensitive to local people and place characteristics.

¹³⁴ (excluding the additional cross-spending review streams such as rail and Olympic investment)

7. Conclusions and Recommendations

The UK has a long history of attempting to reduce economic and spatial disparities. Early policy was interventionist and focused on directly trying to steer geographically mobile investment to areas with employment shortages. In the 1970s regional policy became urban policy focused on tackling the entrenched problems in Britain's inner cities. The 1980s saw the rise of property and market led programmes while the 1990s saw a return to softer, more holistically focused urban renewal.

In 1997 the Labour government embarked on a concerted attempt to tackle regional and local disparities. The regeneration agenda was strongly prioritised and significant amount of time and resources was allocated to rebalancing the UK economy.

However, despite a sustained period of intervention some have suggested these policies have had limited impact.¹³⁵ In fact, some have gone as far to say that "*urban policy has not worked*"¹³⁶. This report has considered some of the evidence behind these claims focusing on two of the flagship policy responses of the era:

- The Regional Development Agencies – tasked with reducing disparities between and within regions: and,
- The New Deal for Communities – one of the longest, and most well resourced, ABI this country has ever seen, tasked with narrowing the gap between the most deprived and least deprived neighbourhoods.

Evaluation evidence suggests that the RDAs provided significant benefits and value added to their regional economies. However, economic and labour market data would suggest that were unsuccessful in narrowing the gap between the least and most successful regions. In fact, disparities in economic performance accelerated during the period they were in operation, while much of the convergence on employment and unemployment can be attributed to increased public sector expenditure and jobs growth disproportionately benefiting regions outside of London and the South East.

Although the NDC did achieve positive change it achieved less than expected. The limited impact of people-based indicators is of particular concern. While area-based indicators saw more progress, people's perceptions of whether the area was now better or felt safer was not always an accurate reflection of whether

¹³⁵ see for example Overman (2010) and Leunig and Swaffield (2007)

¹³⁶ Leunig, T and Swaffield, J (2007) Cities Limited, Policy Exchange

their individual hardship had improved. There was too little emphasis placed on people-based policies, especially when it came to tackling worklessness.

Yet the picture is actually much more nuanced. Spatial disparities have been a persistent feature of the UK's economy for a very long time. To narrow the gap could be seen as an unrealistic ambition. In both cases, especially taking into account the scale of the challenge, the amount of total spend was relatively low particularly compared to mainstream sources.

Ultimately, the lesson here is that **if the explicit goal is to improve economic performance then a healthier balance between place- and people-based policies is needed.** Putting in the effort to make communities safer and more attractive places can help to give people a feeling of pride and confidence in the area. However, if the wider economic context— such as the ability of local residents to access employment opportunities—is neglected such policies are likely to have only a limited impact.

The UK's economy faces an era of unprecedented challenges: a decade of slow growth; a massive reduction in public funds; as well as societal and environmental pressures. In cities, and neighbourhoods, across the UK these changes are already having an impact. The recession and the recovery widened pre-existing disparities in the performance of cities – those places which performed poorly during times of economic growth were hardest hit during the recession and have benefited least from the recovery.

To be able to rise to these challenges we fundamentally need an approach which is aimed at both supporting people and places. Any national programme aimed at supporting the long-term unemployed to find work must both seek to improve individual outcomes, but also be sensitive to 'place characteristics', such as transport infrastructure, availability of local jobs, and the existence (or absence) of social networks. In addition, there is a need for measures put in place to ensure that vital local public goods continue to be provided and for continued low level regeneration that limits the worst of physical decline.

There is still a lot we can learn from the last forty years of urban and regional policy; about what worked, what didn't and why. In particular, future policy should consider the following:

- **Place based policy needs to accept that if the skills or incomes of residents are raised they may move** – this is a positive outcome, but cannot be tracked in many of the current evaluations. Future work needs a better understanding of population movements and tracking.

- **Focusing at the right spatial scale is important**– many area based programmes failed because they became ‘too local’ in focus ignoring the wider spatial element and travel to work area. There is a need for local initiatives to connect up at the right spatial level – for example, at the level of labour market travel to work areas, or at the level of distinct housing markets.
- **Expectations of policy need to be realistic**– it can be argued that the ambitions of the Regional Development Agencies and the New Deal for Communities were unrealistic. The expectations of previous regeneration initiatives have led many people to say that ‘they did not work’ because they failed in their aim to narrow the gap. Long-term strategies are needed which are realistic about how much change is likely to happen;
- **Regeneration can have positive social benefits, not just economic and physical outcomes** – the positive social benefits of neighbourhood renewal such as supporting the growth of social capital need to be recognised.

Doing nothing about deprived communities is not an option. The current government response is not enough – and is likely to widen spatial disparities via a ‘winner takes it all’ approach.

7.1 Recommendation: Ensuring new models of economic development are given a chance

7.11. Strengthening Local Enterprise Partnerships

If LEPs are going to make an impact they need to be able to take on powers, be able to hold assets, raise finance and commission programmes. To do this they must become statutory bodies. **LEPs should consider adopting the ‘combined authority’ model of the Greater Manchester authority or consider other arrangements whereby they can become a legally incorporated entity.**

The first wave of City Deals have already started show progress with Greater Manchester signing a deal which will allow them to ‘earn back’ some of the extra national tax revenue generated in the area. The Liverpool LEP has secured a deal this is set to come with £130 million funding. However, under new clauses in The Localism Bill any city leaders, alongside LEPs, can make the case to be given new powers to promote economic growth and set their own distinctive policies. Cities seeking the transfer of functions will need to demonstrate, for example, private sector buy-in, robust governance structures, cross boundary work and capacity to deliver. **Those Local Enterprise Partnerships currently not part of the City Deals should develop the case to be given new powers and responsibilities built on a robust evidence base.**

There is also **further opportunity for LEPs to build their own capacity**. Some LEPs have already decided to, for example, pool staff to create a shared economic development arm. However, this is certainly not happening across the board. LEPs need to ensure that cross-boundary working on key strategic issues like housing and transport infrastructure happens—this means that this activity needs staffing and resourcing. This could also involve developing shared services around planning and economic development.

7.32. Joining things up locally – progressing Community and Place Based Budgeting

There is still a need to join services and initiatives up locally – too little progress was made by previous initiatives to join services up on the ground (limited engagement by some key partners, limited co-commissioning, co-delivery). Where progress has been made towards joint work it is coming under threat as a result of austerity measures, as organisations retreat to delivering the minimum. This means the drive for collaboration is more important now than ever.

Community Budgeting and Place Based Budgeting offer the opportunity to do this, but we need to make sure that this happens. The ability of the public services to work more flexibly to deliver joined up services for people and places is restricted by national controls, expectations and targets. Community Budgeting and Place Based Budgeting offer the potential to allow more local control over how resources are spent and less restrictions and about what local services can do. Benefits to this type of approach include: generating a longer term view of the value of investment: enabling more money to be invested in early prevention; involving the community in the development and delivery of services, building local capacity and potentially highlighting waste and pushing services to deliver on the things that matter; and, allowing organisations to share outcomes and targets and work towards shared goals.

There is also the need to make sure that the right mechanisms are in place to join activity up at the right spatial scale. Many area based programmes failed because they became ‘too local’ in focus ignoring the wider spatial conditions. **Any future neighbourhood initiatives need to make links with wider sub-regional structures (for example Local Enterprise Partnerships) particularly in relation to tackling worklessness and skills issues, for instance.**

7.2 Recommendation: Focusing policy on skills and mobility of people

7.21. Improving skills acquisition at all ages

Part of the response to improving the prospects of people living in declining parts of the country must be a focus on raising the skills levels of individuals at all ages.

Equipping people with the right skills will increase both social and geographic mobility – allowing people to access better paid employment either locally, where jobs are available, or increasing the likelihood that they will move to areas where jobs are. Enhancing the skills levels of a local economy can also have the knock-on benefit of making an area more attractive to inward investment – boosting an area’s potential to grow in the future. **LEPs can play a proactive role in joining up different parts of the skills system, encouraging businesses to invest in their workforces, and increasing the uptake of skills provision amongst residents.**

7.22. Linking disadvantaged neighbourhoods to areas of growth

Poor local transport infrastructure can limit the opportunities available for residents from deprived neighbourhoods, particularly those located on the edge of peripheral housing estates. **Local policy makers should ensure sufficient, and cheap, public transport infrastructure is in place.**

7.23 Supporting those that want to move to access employment

Those who can move do move with evidence suggesting that the skilled labour market clears – that is that skilled labour responds to local changes to labour demand such that wide differentials in unemployment between places and regions do not open in the skilled labour market. Upskilling the population will facilitate better social and geographic mobility in the longer term. However, more needs to be done now to support the movement of low skilled individuals who are unable to access job opportunities locally to move to those areas which are more economically successful.

As set out in Chapter 5, the social housing system has traditionally been poorly responsive to movements, with individuals allocated a council house or flat finding it difficult to transfer their tenancy to other parts of the country.¹³⁷ Levels of residential mobility are very low within the social rented sector. For example, just one in twenty social tenants moved within the sector in the previous year compared to private the rented where a third of private tenants.¹³⁸

Government policy is already seeking to make it easier for people in social housing to move to other areas to access work. However, more needs to be done to increase the supply of affordable housing in or near economically successful areas. **Government should consider adopting more powerful incentives than**

¹³⁷ Hills, J (2007) *Ends and Means: The Future roles of Social Housing in England*, ESRC Research Centre for Analysis of Social Exclusion.

¹³⁸ Ibid

the New Homes Bonus to encourage local authorities in growth areas to tackle empty properties, re-use buildings, encourage development of in-fill sites to densify existing housing stock and allow planning permission for new houses.

7.3 Learning from, and building on, the 'old approaches' for new times

7.31 A challenge fund for deprived neighbourhoods to provide finance for innovative and sustainable local projects

There is still a case for holistic area-based regeneration aimed at the most deprived communities; to regenerate neighbourhoods and/or limit the worst of neighbourhood decline. The current government approach is too focused on economic growth and risks a 'winner takes all effect'.

In the longer term, City Deals and the localist approach may allow local areas to develop their own sources of financing for this type of policy response. However, at the moment the scale of the cuts to the regeneration budget alongside local authority budget cuts means that the current lack of finance is a real challenge. We recognise that the centre has played a too dominant role in the past and that a top-down, short-term funding approach was one of the reasons for the failings of previous regeneration programmes. However, as an interim measure, to counteract some of the impacts of the cuts **government should consider developing a 'challenge fund' for innovative sustainable projects targeted at the most deprived communities in the UK.**

7.32. Joining neighbourhood projects up at the right spatial level and filling gaps in mainstream services

While there is a need for mainstream people-based policies – i.e. skills and training – these need to be sensitively delivered and with recognition of local circumstances; for example, transport and labour demand barriers. But there is also the need for flexible local projects which can respond to things such as closures of major local employers – development of wrap around initiatives that can take account of local circumstances and issues. **Local authorities have an important role to play in developing wrap around provision for those who fall outside the benefit system – who can include, for instance, young people, ethnic minorities and the unemployed partners of those that are in work.**

As well as developing wrap around provision to meet local needs local policy makers should focus on developing early intervention support for families to tackle the root causes of social exclusion. This would involve developing a 'whole family' approach which uses holistic interventions that bring together a

range of services at the local level. This should focus on raising educational attainment of children and reducing worklessness amongst parents/older siblings.

7.33. Supporting the growth of social enterprises and encouraging community ownership of assets

Part of the learning from the New Deal for Communities, and other area-based initiatives, is the need to find better ways of ensure the longer term financial sustainability of projects. One way to achieve this is through the creation of social enterprise and community ownership of local assets.

There has been a growing policy interest in local community ownership of assets since the 2007 Quirk Review, and has been strengthened recently in Coalition policy in England which includes plans to give local communities rights to buy assets and new rights over planning and delivery of local services. A recent study¹³⁹ highlighted the benefits of local ownership of assets, including: increased local employment; community economic regeneration; enhanced community capacity and cohesion; bringing old buildings back into use and, increased financial sustainability.

Local authorities should work with communities to encourage residents to set up social enterprises to take on ownership of community assets such as land or buildings. This has the potential to build local confidence, and enable the means to generate independent revenues, to raise finance, increasing ability to make positive community impacts. Community owned and led social enterprises promote 'bottom-up' solutions to regeneration.

Central government should extend funding to support communities to take up the right to take on the management of services and ownership of assets. This could involve, for example, a widening of the support on offer via the Asset Transfer Unit (ATU) and ensuring that communities seeking the transfer of assets are supported to access finance from social investors, such as the Big Society Bank.

7.34. Continued investment in community development approaches - building social capital and social networks

The New Deal for Communities emphasised the importance of building social capital and social networks to enable communities to effectively engage in the regeneration process whilst also supporting the development, in particular, of bridging and linking social capital. Deprived areas in particular are said to lack

¹³⁹ Aiken, M, Cairns, B, Taylor, M, and Moran, R (2011) Community organisations controlling assets: a better understanding, Joseph Rowntree Foundation

'bridging and linking social capital' which is important in linking people to wider services, structures and decision makers.

There is a need for continued investment in a range of community development approaches. The growth of social capital can be supported, for instance, via the training up of local 'community animators' who can provide peer-to-peer support to local residents and who can broker the link into local public services and infrastructure. The Government has already made steps towards supporting this agenda through its Community Organisers initiative. There are also other approaches currently being trialled to support the development of local communities, such as the Big Local¹⁴⁰ which aims to support local people to develop the skills and confidence needed to make their areas better places to live.

There is a need for Government, alongside other organisations, to continue to invest in a range of community development approaches. Building trust, networks, and social capital takes time and requires investment to kick start activity. The current lack of finance is limiting the network of local organisations which have grown up to support people in deprived communities.

¹⁴⁰A BIG Lottery Fund initiative organised by Local Trust – for more information see website: http://www.biglotteryfund.org.uk/prog_biglocaltrust?tab=1&

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