House of Commons
Communities and Local Government Committee

Regeneration

Sixth Report of Session 2010–12

Volume I: Report, together with formal minutes, oral and written evidence

Additional written evidence is contained in Volume II, available on the Committee website at www.parliament.uk/clgcom

Ordered by the House of Commons to be printed 19 October 2011
The Communities and Local Government Committee

The Communities and Local Government Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Communities and Local Government.

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The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Glenn McKee (Clerk), Judith Boyce (Second Clerk), Josephine Willows (Inquiry Manager), Kevin Maddison (Committee Specialist), Emily Gregory (Senior Committee Assistant), Mandy Sullivan (Committee Assistant), Stewart McIlvenna, (Committee Support Assistant) and Hannah Pearce (Media Officer).

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Summary

Regeneration is a long term, comprehensive process which aims to tackle social, economic, physical and environmental issues in places where the market has failed. The Government has set out its new approach to regeneration in *Regeneration to enable growth: What Government is doing in support of community-led regeneration*. However, the document gives us little confidence that the Government has a clear strategy for addressing the country’s regeneration needs. It lacks strategic direction and is unclear about the nature of the problem it is trying to solve. It focuses overwhelmingly upon the achievement of economic growth, giving little emphasis to the specific issues faced by deprived communities and areas of market failure.

The measures set out in *Regeneration to enable growth* give us several grounds for concern. First, they are unlikely to bring in sufficient resources. Funding for regeneration has been reduced dramatically and disproportionately over the past two years, and unless alternative sources can be found, there is a risk of problems being stored up for the future. The Government is wrong to place so much emphasis on funding streams such as the New Homes Bonus, the Regional Growth fund and rail investment, which, whatever their benefits, are not focused primarily upon regeneration. Also lacking is a strategy for attracting private sector investment: the Government should consider possible sources of gap funding and the potential for the alignment of public spending streams to encourage private investment. Moreover, *Regeneration to enable growth* assigns too much prominence to changes to the planning system and does not acknowledge the benefits effective planning has brought to regeneration. Finally, the document fails to consider how its approach to regeneration will be evaluated; this is a new way of doing things and, without some form of evaluation, there is a risk that investment could be wasted.

The financial and economic climate has impacted dramatically upon regeneration, but it is not clear that the Government appreciates the scale of the challenge. The withdrawal of Housing Market Renewal Funding in particular has created significant problems, leaving many residents trapped in half-abandoned streets. Action is urgently needed to help those affected. The Government also needs to act quickly to mitigate the risk of important regeneration knowledge and skills being lost.

The Government has apparently paid little regard to the lessons from previous approaches to regeneration. There is a great deal that can be learned—from both successes and failures. Successful regeneration requires: a focus on people and places; a long-term approach; close partnerships; co-operation between the public and private sectors; strong local leadership; and the active involvement of communities. The Government should urgently review the lessons learned from past regeneration programmes and encourage local areas to learn from each other.

There are a number of measures that could, as part of a wider approach, contribute to stimulating regeneration and incentivising private sector involvement. Tax Increment Financing could, in certain circumstances, play a useful role; we look forward to its implementation at the earliest opportunity. The creation of new Enterprise Zones should be carefully managed to ensure the zones bring benefits to deprived communities across
surrounding areas. Better use should be made of public land and European funding to maximise their contribution to regeneration.

The Government has rightly committed to putting communities and community groups at the heart of regeneration. This should not be seen as something new: community involvement has been central to successful regeneration for many years. Moreover, there are concerns that, in spite of its aspirations for ‘community-led regeneration’, the Government’s approach will do little to support it. At a time of significant spending reductions, many of the community groups most closely involved in regeneration are uncertain about their future. More work is needed to ensure that practical mechanisms are in place to promote the involvement of communities and community groups in regeneration.

A localist approach to regeneration also needs to assign an important, strategic role to local government. The Community Budgets initiative has an important role to play in enabling councils to co-ordinate regeneration across their areas. Such an approach could also help to lever in private sector investment, especially if it involves the pooling of capital funding. Government has to maximise the contribution of Community Budgets to regeneration and to lead the way with a joined-up approach at the national level. Councils should also come forward with innovative proposals which build on the Community Budgets model.

The Government should now produce a national regeneration strategy which addresses all these issues and sets out a coherent approach to tackling deprivation and market failure in the country’s most disadvantaged areas. This should be the first step towards a more determined focus on the part of Government to tackling the deep-seated problems that still blight too many of our communities.
1 Introduction

1. In January 2011, the Government published *Regeneration to enable growth: What Government is doing in support of community-led regeneration*. This document stated that the Government would be taking a “different approach” to regeneration. This approach would be “localist—putting residents, local businesses, civil society organisations and civic leaders in the driving seat and providing them with local rewards and incentives to drive growth and improve the social and physical quality of their area.”1 In the same week as the document was published, we announced our intention to conduct an inquiry into regeneration, which would consider the likely effectiveness of the Government’s approach.

2. *Regeneration to enable growth* does not provide a specific definition of “regeneration”. Within our evidence, however, there were a number of attempts to explain what is meant by the term. While the exact wording of the definitions offered varied, there was broad agreement that regeneration was a comprehensive process, that it aimed to tackle a combination of social, economic, physical and environmental issues, and that it focused on areas of disadvantage, particularly those where the market alone cannot deliver improvement.2 The regeneration company, Igloo, said that the “widely accepted definition” was that provided by the previous government in July 2007.3 This defined regeneration as “the broad process of reversing physical, economic and social decline in an area where market forces will not do this without intervention”.4

3. Such a view of regeneration suggests that it requires broad action across a range of Government departments. As the Minister for Housing and Local Government, Rt Hon Grant Shapps MP, told us: “you cannot look at regeneration […] on the narrow basis of ‘What budget is [the Department for Communities and Local Government (DCLG)] putting into which quango to deliver what has narrowly been thought of as regeneration’ and forget about health, education, levels of crime and all the other quality of life issues in a local community”.5 Our report therefore starts from the premise that regeneration requires a comprehensive approach to tackling the wide-ranging issues facing deprived areas. In doing so, it inevitably focuses in particular upon DCLG’s role in supporting such an approach. It would be impossible in a single inquiry to consider in detail the relevance of policy on health, education, crime and employment, amongst other areas, in tackling deprivation. However, we attempt to draw conclusions about what Government should be doing to bring these strands together and to draw investment into deprived areas. Recent events have perhaps placed greater emphasis on the need for this comprehensive focus:

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1 Department for Communities and Local Government, *Regeneration to enable growth: What Government is doing in support of community-led regeneration*, January 2010 [hereafter “Regeneration to enable growth”], Introduction

2 See, for example, Ev 101 [Urban Pollinators], Ev 124 [National Housing Federation], Ev w51 [English Heritage], and Ev 148 [Town and Country Planning Association]. The Centre for Local Economic Strategies offers a similar definition, but suggests that “the market can regenerate a location on its own”, although “regeneration has [been] and is used as a means of speeding up or upscaling what the market can do” (Ev 144, para 2.1.1).

3 Ev 213, para 4.1

4 HM Treasury, Department for Business, Enterprise and Regulatory Reform and Department for Communities and Local Government, *Review of sub national economic development and regeneration*, July 2007, para 1.13. Igloo quotes it as “a ‘process that reverses physical, economic and social decline in an area where market forces will not do this without intervention’” (Ev 213, para 4.1).

5 Q 357
while the effects of poverty and deprivation alone provide an unsatisfactory answer to the question of what caused the unrest of August 2011, the subsequent debate has brought to new prominence the importance of a concerted effort to tackle such issues.

4. Following our call for evidence, we received over 80 submissions, from local authorities, private sector developers, the voluntary and community sector, academics, think tanks and others. We received a small number of responses from community groups and residents in regeneration areas, whose views we had particularly sought. The themes emerging from our written evidence were explored further in six oral evidence sessions, which took place between May and July 2011. We also visited Greater Manchester to see for ourselves some of the challenges of regeneration ‘on the ground’ and the practical approaches being taken to address them.

5. We are grateful to all those who gave us oral and written evidence, to our hosts in Greater Manchester, and to the Royal Institution of Chartered Surveyors, who organised a briefing session to allow us to explore key issues with leading regeneration practitioners. Particular thanks are due to our specialist advisers, Professor Michael Parkinson, CBE of Liverpool John Moores University and Nick Johnson of Urban Splash.6

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6 Michael Parkinson declared the following interests: Director of the European Institute for Urban Affairs at Liverpool John Moores University, which has generated research income from a range of public bodies in the UK; at present it has no contracts with UK agencies. Nick Johnson declared the following interests: Urban Splash Ltd, Commissioner Commission for Architecture and the Built Environment (CABE), Director, Bridgewater Estates Ltd and Visiting Professor of Property Development, University of Sheffield.
2 The Government’s approach: regeneration to enable growth

6. *Regeneration to enable growth* sets out the role the Government will play within its new, “localist” approach to regeneration:

Central government’s role will be strategic and supportive:

- reforming and decentralising public services;
- providing powerful incentives that drive growth;
- removing barriers that hinder local ambitions; and
- providing targeted investment and reform to strengthen the infrastructure for growth and regeneration and to support the most vulnerable.7

The bulk of the document consists of a series of tables, including sections targeted at the private and voluntary and community sectors and local government. These tables “set out a range of policies, rights and funds that are available to help [the private and voluntary and community sectors] drive forward or influence plans for [their] area” and “a range of policies, options, powers and tools that [local authorities] might find helpful in driving forward regeneration”. There are also sections outlining “other Government policies and investments that support regeneration” and aspects of Government work that provide specific “support for vulnerable individuals”.8 The document is clear that the measures are not intended to be universally applied, stating: “The actions taken and tools employed from this menu will vary from place to place and need to happen at the right spatial level”.9

7. Amongst our witnesses, reaction to the document was largely negative. Keith Burge, Chair of the Institute of Economic Development, stated:

> When I read the document I wondered if it was not sinking in or whether a number of pages were stuck together, because by the time I got to the end of it I could not believe just how limited it was in its appreciation. No consideration has been taken of the nature and scale of regeneration that is required, where it is needed and where the opportunities lie. There was no review of community-led regeneration, of what has worked, what has not worked and why. None of these things were included; it is just really a hotchpotch of spending commitments and little more than that.10

Asked to give their view on the document in “tabloid language”, witnesses described it variously as “thin, weak and disappointing”,11 “vacuous”,12 and “*The Emperor’s New...*”13

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7 *Regeneration to enable growth*, Introduction
8 *Regeneration to enable growth*, Tables
9 *Regeneration to enable growth*, Conclusion
10 Q 78
11 Q 39 [Josh Stott, Joseph Rowntree Foundation]
12 Q 76 [Julian Dobson, Urban Pollinators]
Neil McInroy, Chief Executive of the Centre for Local Economic Strategies said, “If one of our junior members of staff had written this after two weeks, I would be disappointed”.

Particular criticisms focussed on the lack of any clear narrative or strategic coherence. Julian Dobson of consultancy Urban Pollinators said:

I am not sure that you could say that the Government’s document is an approach; it does not have any clarity about it. As [another witness] said, it lacks a narrative. It is not clear what regeneration is or why regeneration is needed. It is not clear how regeneration is to be attained, so it is really difficult to know where to start with it.

The Joseph Rowntree Foundation agreed, pointing to the document’s failure to provide a definition of regeneration: “No attempt is made to define regeneration (and specifically what is meant by community led regeneration) or explain why and where it is needed most”.

When asked about the document, the Minister, Mr Shapps, insisted he was “very proud of it”, arguing that “the size of the Government document does not deliver the strategy”. He said it was intended as “toolkit” to support a localist approach:

This is a regeneration toolkit: it is largely about the graphs and tables at the back of it. It is not about the narrative at the front of it, otherwise we would have written a 20, 50 or 100-page document, which would have been fine, warm words without any purpose to it. We nicknamed it a toolkit because it is devised for those purposes, and it is certainly not intended to be the be all and end all when it comes to regeneration. It is supposed to be a very deliberate attempt to move from the top-down, centrally driven, bluntly unaffordable and certainly unsustainable approach to redevelopment and regeneration that has not always delivered what was intended despite the many thousands of pages of words.

Paul Evans of UK Regeneration acknowledged that there was “a logic to the proposition that, if you are going to adopt a policy of localism, you do not prescribe too much how you intend it to happen”. However, in their joint submission, the Chief Economic Development Officers’ Society and the Association of Directors of Environment, Economy, Planning and Transport (CEDOS/ADEPT) argued that within a localist approach there was still an important role for central government:

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13 Q 76 [David Orr, National Housing Federation]
14 Q38
15 Q 42; see also, for example, Ev 223 [National Association for Voluntary and Community Action].
16 Ev 134
17 Q 356
18 Q 350
19 Q 106
Whilst we support the focus on local leadership, if the Government is to support community based regeneration, some overall assessment/strategic guidance on regeneration needs, approaches and resources would be helpful.  

11. **We do not consider Regeneration to enable growth to be adequate as a statement of the Government’s approach:** it lacks strategic coherence and does not seek to define what is meant by the term “regeneration”. It is unclear about the nature of the problem it is trying to solve and to what overall outcome the measures set out will contribute. We accept that, as part of a localist approach, there is merit in including a toolkit of options from which local authorities, businesses and community groups can draw. However, within such an approach, central government still has to play its part by setting the national policy direction. **Regeneration to enable growth fails to do this and provides no evidence that the Government has a clear strategy for regeneration.**

### Targeting those most in need

12. Discussing the “new approach” to regeneration, **Regeneration to enable growth** suggests such an approach is needed “to ensure that local economies prosper, parts of the country previously over-reliant on public funding see a resurgence in private sector enterprise and employment, and that everyone gets to share in the resulting growth”. The Government’s memorandum states that regeneration is a “vital component” of its “approach to growth and to rebalancing the economy”. It explains that regeneration is needed to address issues in “declining and static local economies” which it says “act as a drag on the performance of the UK economy as a whole”:

> We therefore need every part of the country to fulfil its potential if we are to maximise national economic growth. Every place has the potential to grow, but growth may be harder for some areas to achieve. Regeneration plays a vital role by addressing local failures in the land market, labour market and capital market which in turn remove market barriers that prevent economic growth.

13. A number of our witnesses, however, questioned the extent to which **Regeneration to enable growth** focuses on those areas where growth may be more difficult to achieve. Allan Haile of Cumbria County Council said, “we [...] feel that [the measures in the document] are likely to be more successful in areas where there is greater potential for economic growth and job creation, and not so successful perhaps in areas like Cumbria, where there is some market failure”. Katie Schmuecker of the Institute for Public Policy Research North (IPPR North) noted: “The Government’s approach appears to be to target growth. [...] That leads to the question in our minds: what happens to those places that fall outside of that, often places that are lagging and, if anything, are potentially going backwards?” Josh Stott of the Joseph Rowntree Foundation felt that there was a “lack of strategy for

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20 Ev 117, para 9
21 *Regeneration to enable growth*, Introduction
22 Ev 170, para 2
23 Ev 170, para 12
24 Q 130
25 Q 26
places that will not be able to benefit from the proposed growth incentives” and seemed to be “an assumption that the trickle-down effect will work”. He warned that “a rising tide will not lift all boats”.

14. It was suggested that some of the proposals could have a detrimental effect on attempts to rebalance the economy. Cornwall Council felt that “the paper’s geographical perspective sub-nationally is mainly skewed toward London and the South East (e.g. Crossrail, Thames Gateway, even arguably [High Speed 2])”. The Centre for Local Economic Strategies made a similar point:

It is disappointing to see that the ‘targeted investment’ list contained in the document is limited only to controversial and ‘big-ticket’ infrastructure projects for the Greater South East and amounts to a de facto growth strategy which does nothing to re-balance the economy away from the Greater South East and towards the structurally and spatially unfavoured northern regions.

15. The London Borough of Newham warned that any rebalancing had to account for the fact that there were also deprived areas in the South East:

We are concerned that the Government’s focus on rebalancing implies a reduced commitment to areas in London and the South East which are among the most deprived in the country; which are also dependent on a shrinking public sector economy; and which have the greatest potential to drive and generate private sector growth for the country. Any rebalancing of the UK’s economic geography will need to be a managed process that takes into account the particular circumstances of each functional economic area, and the needs of particular locations within these.

This view was echoed by the Thames Gateway London Partnership which argued that the area it covered was “more similar to areas in the Midlands and North of England, where the government has focussed more support”.

16. These comments raise the question of where the limited resources available for regeneration can best be applied. Chris Brown, Chief Executive of the regeneration company Igloo, raised the prospect of places being left to “sink or swim” if resources were not transferred to more deprived areas:

in regeneration, you absolutely have to have a locally-led process, so localism is absolutely the right approach to regeneration. However, you also have to transfer resources from wealthy places to places in need. The danger of the localism agenda is that neighbourhoods are left to sink or swim, and the deprived neighbourhoods will sink.

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26 Q 2
27 Ev 151
28 Ev 146, para 3.3.1
29 Ev 138, para 1.4
30 Ev 182
31 Q 223
Consultancy firm Urban Pollinators stated that “the logic of a localism that ignores market failures and seeks to pick winners may well be that some places will die” and added, “Ministers should be open about whether they consider that an acceptable consequence of their approach”. Julian Dobson, who runs Urban Pollinators, felt that there was a moral case against abandoning places:

in those areas where [the] private market has failed and where public policy has failed, there are hundreds of thousands of people whose lives have been messed up for one reason or another, and it is ethically unacceptable just to say, “Fend for yourselves.”

Mr Shapps agreed that it was “absolutely unsatisfactory—worse, unacceptable—to leave areas languishing and not being regenerated”.

17. In Greater Manchester, we saw a recognition amongst local partners that regeneration involved linking more deprived communities to those areas with greater potential for economic growth. Business leaders saw the need to work with public bodies to create opportunities for people across the wider area. The Media City development, for instance, had sought explicitly to maximise the benefits for Greater Manchester as a whole: it was recognised that the “trickle down” effect alone would not be enough, and considerable work had been undertaken to maximise the links between local communities and the opportunities available at the site.

18. In all regions of the country there are places in which, for a whole host of reasons, deprivation and disadvantage are particularly acute. In such areas, the market alone is unlikely to resolve the deep-seated issues the communities face. Regeneration is fundamentally concerned with addressing these issues of deprivation and market failure. In doing so, it requires a comprehensive range of social, physical and economic interventions; it cannot rely solely on the growth of the wider economy. The overwhelming focus of Regeneration to enable growth, however, appears to be upon achieving this economic growth. There seems to be an implicit assumption that wider growth will “trickle down” to the most deprived areas. However, we are concerned that, as communities with greater potential absorb the benefits of economic growth, the most deprived areas could be left further behind. It is not clear that the measures in the document will help to rebalance the economy towards less prosperous parts of the country; indeed, there is a risk that some could have a detrimental effect. It is not in anyone’s interest for places to be left to “sink or swim”. We welcome the Minister’s acceptance that it would be “unacceptable [...] to leave areas languishing”. However, his approach to regeneration does not do enough to mitigate the risk of this happening. The Government has to recognise that resolving issues of deprivation requires a long term, concerted and targeted effort, and therefore to ensure that its scarce resources are being used to help the people and places most in need. We recommend that the Government develop and publish a strategy that recognises the deep-seated problems faced by the most disadvantaged communities, and sets out

32 Ev 106, para 8.4.1
33 Q 74
34 Q 368
35 As above
measures explicitly focussed upon tackling these issues. We have more to say about what this strategy should contain throughout the rest of this report.

Resources

19. In December 2010, DCLG published an economics paper commissioned by the previous Government, *Valuing the Benefits of Regeneration*. That paper estimated spending on “core” regeneration programmes by DCLG, the Homes and Communities Agency and Regional Development Agencies to be £11.189 billion in 2009/10. At our request, DCLG provided us with further financial data which showed that this spending fell to £7.926 billion in 2010/11 (revised from £9.1 billion after taking account of in-year adjustments) and is estimated to fall to £3.872 billion in 2011/12. The 2011/12 figure includes approximately £2.9 billion on continuing programmes and just under £1 billion on “additional programmes”, including the Regional Growth Fund, the New Homes Bonus and the FirstBuy scheme. In addition, the table highlights a number of funding streams across the spending review period totalling £12.428 billion, including Crossrail, High Speed 2 and the Olympic Park legacy.

20. Witnesses expressed concerns about the scale and speed of the funding reductions. CEDOS/ADEPT said that “there must be sufficient public funds available to achieve the necessary regeneration projects in urban and rural areas across the country” but suggested that there was “little likelihood” that this would be the case, “certainly in the short/medium term”; it pointed to the reductions in funding for local authorities and Regional Development Agencies and the termination of specific programmes such as Working Neighbourhoods Fund and the Local Enterprise Growth Initiative.Pennine Lancashire expressed concern about the “front loading of spending cuts” which “doesn’t allow for an orderly transition of programmes and will leave big gaps in projects which have either been significantly scaled back in a short time frame or halted mid-way through the programme”; it added: “We do not believe that these policies [in Regeneration to enable growth] will be sufficient to fill that gap”. The Housing Market Renewal Pathfinders Chairs spoke specifically about the sudden cessation of their funding, warning that “some neighbourhoods where renewal has been only partially completed may well regress because of the unsatisfactory state of the half completed environment”.

21. In its memorandum, the Government acknowledged that the reductions in direct funding for regeneration were “posing challenges for some areas” but stated:

   we have taken steps to ease the transition as far as possible, for example:

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36 Department for Communities and Local Government, *Valuing the Benefits of Regeneration*, Economics Paper 7: Volume 1—final report, December 2010, p 26. The Regional Development Agency programmes include some inward investment and trade development expenditure which falls outside the authors’ definition of ‘core’ regeneration programmes.

37 Ev 233-35

38 Ev 119, para 18

39 Ev w139

40 Ev 114
• As part of the local government funding settlement, we included a transitional element to ensure that no area will face an excessive cut in public funding next year.

• The Homes and Communities Agency and DCLG are working with housing market renewal and growth areas to help them manage the transition and identify alternative funding sources, including New Homes Bonus, and bring a stronger emphasis on refurbishment including community based renewal projects. A new £5 million transition fund was announced on 31 January to help safeguard and develop expertise and capacity in the five worst affected areas.

• The Spending Review provided £1.3 billion to deliver existing Regional Development Agency and Homes and Communities Agency commitments, so that subject to value for money current projects which are valued by local communities are seen to completion.41

22. However, Keith Burge questioned the extent to which the Government was easing the impact, and warned that the cuts could create problems further down the line:

I do not see that it is doing anything to mitigate the effects of those cuts. We all understand the situation with the public purse, we do not need to labour those points again, but I think that there is a lack of appreciation of the fact that some of the spending is investment and not just cost. A failure to make that investment is going to have some knock-on effects elsewhere. Failing to continue to work with local communities has impacts on people’s ability to access employment and training, their health, crime, on the environment and so on. So it may save money today, but it is storing up problems for tomorrow.42

**Regional Growth Fund**

23. The Regional Growth Fund (RGF), at £495 million, is the largest of the “additional programmes” listed in the financial tables provided by the Government.43 *Regeneration to enable growth* suggests that it will provide “potential funds to support local schemes that unlock private sector growth”.44

24. Witnesses have questioned the extent to which the RGF will support regeneration. Michael Gahagan, representing the Housing Market Renewal Pathfinder Chairs, thought RGF was “the right approach to tackling the loss of public sector jobs” but said: “you should not present it as being the answer to a regeneration problem”. Julian Dobson agreed, saying there was a “big, big question about whether that is going to produce jobs and opportunities in the most difficult and disadvantaged areas”.45
25. Lord Heseltine, the Chair of the RGF Independent Advisory Panel, also said that RGF was “not about regeneration”:

The fact is the Regional Growth Fund is not about regeneration. We have never been told to go and regenerate any community or anything like that. What we have been told is very clear and simple: there are some cuts. The cuts are going to affect different parts of the country in different ways. They are going to affect those areas where public expenditure is relatively high more than where it is not, and therefore the Regional Growth Fund is designed to create private sector jobs in areas adversely affected by the cuts. That is it.46

Asked about a statement by Mr Shapps that the Government would “roll [Housing Market Renewal] Funding up into the Regional [Growth] Fund”,47 Lord Heseltine said: “There is no way that we are doing housing renewal or anything of that sort. Indeed housing is not high on our list for very obvious reasons. It does not create long-term sustainable private sector jobs”.48

26. We asked Andrew Stunell MP, Parliamentary Under Secretary of State at the Department for Communities and Local Government, whether he agreed with Lord Heseltine that RGF was “nothing to do with regeneration”:

I agree with the terms of reference of the Regional Growth Fund, which you can see I do not actually have in front of me. They do not exclude anything, but they do put the emphasis on promoting regional growth. And primarily, as you can see from the bids that are being accepted, that has been about providing additional employment opportunities. In the case of Hull and Wakefield [where bids covering Housing Market Renewal areas have been successful] the criteria of that had been met and investment has been made.49

Mr Shapps added that the concepts of regional growth and regeneration were “absolutely intrinsically linked” and that for “regeneration to be a true success [...] you have to have the jobs, the employment, the enterprise to go alongside and make the thing function.”50

Regeneration, however, aims to tackle market failure through a comprehensive approach, and the growth of the wider economy alone will not be sufficient to address the complex issues deprived communities face.51

New Homes Bonus

27. The additional programmes listed in the Government’s table also include £199 million for the New Homes Bonus (NHB). However, our witnesses have argued that NHB could “favour high growth areas” over those “where renewal is needed”.52 Newcastle and

46 Q 300
47 HC Deb, 21 October 2010, col 1114
48 Q 312
49 Q 377
50 Q 378
51 See paragraph 18.
52 Ev 148 [Town and Country Planning Association]
Gateshead pointed out that it will “work less well in our areas because of both the stage we are at in our carefully phased programme with further demolition being needed, and the historic challenge of increasing effective housing supply in Newcastle and Gateshead”. They also suggest that, when in future NHB is funded from a top-slice of formula grant, “there will be a further redistributive effect from poorer to richer regions of the country”. Paul Evans of UK Regeneration said that NHB was “about growth and development; it is not really about regeneration as we began to define it at the beginning of this conversation”.

28. The Ministers told us that the £199 million in their figures referred to the NHB allocation for the whole country, not just regeneration areas. We questioned Mr Shapps about why, given this admission, it had been included in a table of regeneration spending. Mr Shapps responded:

Let me clarify this. Part of that is right; let me explain. First of all, you are right that the £199 million is the entire New Homes Bonus, you are right about that. I just wanted to mention and therefore explain that that is the case and always has been for all the regeneration expenditure, so if you compare it with previous years, the Decent Homes Programme, for example, would have been classed as a regeneration programme. There are many different programmes that you could class as regeneration, some of which will be in regeneration areas and some will not.

We suggested that there was a “dramatic difference” between the New Homes Bonus, which councils were free to spend on a whole range of services, and the Decent Homes Programme, which was specifically targeted at repairs on council estates. Mr Shapps responded:

I accept that. Again, let me take another example, groundwork money is sometimes spent in regeneration areas, it sometimes is not, but it has always been included in the figures. All I am trying to say is actually defining regeneration proves to be quite tricky because some things are included and some things are not. But you have the tables, so you can come to your own conclusions. I do accept your point there, but you would accept that other columns, some of which will be going into regeneration, some would not, have already been included in here.

**Rail investment**

29. The Government’s tables also mention commitments across the spending review period of £750 million for High Speed Rail and £7.5 billion for Crossrail. Regeneration to enable growth refers to these commitments when discussing “targeted investment” in “vital infrastructure to support growth and regeneration”. We have already seen that questions have been raised about their impact on the rebalancing of the economy and tackling
deprivation in the most deprived communities. Such a view was also raised by Urban Pollinators, who said:

While there is a strong case for better and more reliable public transport between cities in the North and Midlands, we need clarity about what kind of activity this is likely to enable and what benefits will accrue to the most disadvantaged communities. The caveat about infrastructure development as a regeneration tool is that it relies on a trickle-down theory of benefits that remains unproven. Enabling more law firms to locate in Leeds is unlikely to provide tangible improvements for the residents of Beeston or Harehills.58

30. Igloo also commented on the fact that High Speed Rail was a long-term initiative, saying: “while HS2 may provide a boost for Birmingham Eastside and in future decades for similar areas in Manchester and Leeds, this impact is not going to be seen any time soon”. It added that “from a regeneration perspective, [HS2] would not be seen as a value for money investment although its long term positive impact on subregional economic development is welcome”.59 Mr Shapps suggested initiatives such as High Speed Rail would play an important role in regeneration:

With things like High Speed Rail, being prepared to put the infrastructure in place to join the country together is absolutely a really important part of regeneration. Crossrail is an excellent example.60

Resources: conclusion

31. The Government’s figures apparently show annual spending on “core” regeneration programmes (excluding the additional cross-spending review streams such as rail and Olympic investment) being halved in 2011/12, with a 65% reduction over the two years since 2009/10.61 In the current climate, reductions in public funding appear inevitable. However, regeneration appears to have been affected much more severely than other parts of the public sector; local government formula grant, for instance, will fall by 9.9% in 2011/12.62 The scale and speed at which programmes have been cut does create significant cause for concern, particularly when considered alongside reductions to local authority budgets. The abruptness with which money has been removed and initiatives cancelled will create substantial problems for many communities.

32. Regeneration to enable growth places undue emphasis on schemes such as the Regional Growth Fund, New Homes Bonus, High Speed Rail and Crossrail; while these programmes may have their own merits—and may even bring some benefits to deprived communities

58 Ev 103, para 4.5
59 Ev 216, para 6.15
60 Q 368
61 See para 19
62 This refers to formula grant to all local authorities in England, including police forces, The Local Government Finance Settlement 2011–13, Research Paper 11/16, House of Commons Library, February 2011. The 2010 Spending Review announced that departmental budgets (excluding health and overseas aid) would be reduced by an average of 19% over the four years until 2014/15. There would be “overall resource savings in Local Government DEL [departmental expenditure limit] to councils of 28 per cent over the four years”, HM Treasury, Spending Review 2010, pp 5 and 49.
(although in the case of High Speed Rail not for over a decade)—their primary focus is not on tackling deprivation in disadvantaged areas. Moreover, as the Centre for Local Economic Strategies said, “It is hard to see how the infra-structure projects of HS2, Olympics, Crossrail and the New Homes Bonus contribute towards the objective of community led regeneration”.

33. Unless alternative ways of funding regeneration can be found, there is a risk of momentum and investment being lost and problems being stored up for the future. Later in the report, we consider possible ways of bringing further resource into regeneration.

### Private investment

34. Witnesses raised concerns that the Government’s approach does not give sufficient consideration to how private sector investment can be encouraged. Chris Brown stated:

> I do not think that the document faces up to the lack of private sector funding that is out there at the moment. It is not just the lack of public funding for regeneration; it is the lack of private funding for regeneration as well. The mechanisms that you would need to bring what private funding there is available to bear on regeneration are just not talked about in the document, so that is things like aligning the public funding flows from all sorts of different programmes so that we can use what public money there is to attract private money, and doing things like rental guarantees perhaps, or using public assets to attract what private money is out there. None of that stuff is really picked up in the document.

CEDOS/ADEPT argued that stimulating private investment should be central to the Government’s approach:

> The context of public sector cuts emphasises the importance of attracting funding from the private sector, which has been hit by weakening market conditions and a fall in investment returns. Restoring the necessary level of confidence to attract private investment into regeneration should be a key plank of policy for Central Government and local authorities. It will be important to provide certainty on: the delivery of necessary public sector infrastructure provision; on developer contributions e.g. via Section 106, Community Infrastructure Levy; and on development timescales. Whilst risk cannot be removed, incentives and safeguards need to be considered to help lessen risk and make regeneration schemes attractive to private investors.

35. Witnesses expressed particular doubts about whether the private sector would invest in regeneration areas without some form of public sector assistance. Keith Burge, for instance, asked:

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63 Ev 147, para 3.3.2
64 Q 203
65 Ev 120, para 24
Why would the private sector step in any more now than it has in the past? It will step in where it perceives a decent return on its investment and where there is an acceptable level of risk. The public sector has a role to play in facilitating private-sector investment. There are a number of things in the document that are possibly seeking to do that, but I am not sure that it goes far enough. The private sector is the private sector; it is there to get a return on its investment.\textsuperscript{66} 

Michael Gahagan believed that public money was needed “to take the risks out of a site, because in a time of recession developers go [...] to the lowest risk areas”.\textsuperscript{67} 

36. Witnesses said that \textit{Regeneration to enable growth} gave insufficient consideration to gap funding as a potential means of leveraging in private investment. Pennine Lancashire Local Authorities stated:

> In areas with low land value, gap funding represents the most appropriate vehicle for leveraging in private investment and the development of capital schemes. Deprived areas are regarded as high risk in investment terms and will continue to need public sector support to lessen risk and attract investors to bring forward developments.\textsuperscript{68} 

Allan Haile of Cumbria County Council said that “one of the missing things is the ability to provide the gap funding that is required to assist the private sector to develop, and that addresses the cost versus the value of property”.\textsuperscript{69} Nottingham City Council suggested that the “proposed financial tools will not provide the necessary gap funding required in areas which experience market failure or abnormal development costs”.\textsuperscript{70} 

37. Regeneration focuses on areas where the market has failed; it follows that the private sector is unlikely to invest in such places without some form of public assistance. Regeneration in the past has involved leveraging in private sector investment alongside public sector investment to deliver projects in the areas of greatest need. At a time of public spending restraint, when the Government must consider how to get the maximum benefits from the funds it has available, this becomes especially important: limited public resources have to be used in a way that stimulates further investment from the private sector. We recommend that the Government develop and publish a clear and coherent strategy for how private sector investment can be attracted into areas of market failure. This strategy should, amongst other things, identify potential sources of gap funding that can be used to stimulate private investment. It should also explore how public funding flows can be aligned to ensure they lever in the maximum amount of private capital. We consider this further when discussing the Community Budgets programme in Chapter 6.

**Planning**

38. \textit{Regeneration to enable growth} suggests that reforms of the planning system will provide significant benefits for regeneration. Measures set out in the “toolkit” include: the

\begin{itemize}
\item \textsuperscript{66} Q 86
\item \textsuperscript{67} Q 45
\item \textsuperscript{68} Ev w139
\item \textsuperscript{69} Q 145
\item \textsuperscript{70} Ev 194, para 1.1
\end{itemize}
“abolition of regional planning and the creation of neighbourhood plans” to provide “greater control and power for local authorities and communities over the way in which their area develops”; the “consolidated National Planning Policy Framework” to give communities “greater ability to attract new housing and economic development”; and Local Development Orders which “could be used for a variety of purposes from encouraging investment in derelict sites to permitting minor developments across a wider area”.71 Asked why these reforms were so important to the delivery of regeneration, Mr Shapps said that:

We see the planning changes being absolutely fundamental to this regeneration approach. The idea of having a sustainable pro-growth agenda is to enable more economic activity, to make it easier to grow if that is what the community wants to do, and the planning reform, as you know, is rather like our toolkit. It takes something like 7,000 pages of planning law and guidance and crunches it down to about 50 pages of a new national planning policy framework. And I guess in percentage terms, in ratio terms, that is an even bigger cut down than on the planning toolkit guidance. We believe in letting communities get on with the job, and we think that is why it is important to rationalise it.72

39. Among our witnesses, the development company Kier Group raised concerns about the speed of decision-making, talking of “a need to address the slow pace of making and resolving planning applications at all levels of development, including regeneration.”73 Other witnesses, however, questioned the extent to which the planning system impeded regeneration. Michael Gahagan of the Housing Market Renewal Pathfinder Chairs and David Orr of the National Housing Federation stated that, in their view, planning had not been a major issue:

It never impinged on me, to be honest, it is not a problem. In all my time in regeneration, I have only once known it be a problem. That was in Hulme, where the local authority soon overcame it. My experience of the planning system is, outside of AONBs and greenbelt, where there is a will, there is a way.

I think that is probably true. It is often harder to get consent for half a dozen new homes. Regeneration schemes tend to be larger scale, tend to be a bit more strategic, and they tend to have the engagement of the local authority across the board so there is a greater understanding of what people are trying to do. No one suggests that the planning system is presently perfect, but in terms of regeneration it is not one of the major difficulties.74

40. Responding to the same question, Julian Dobson pointed to what he considered to be one of the benefits of the planning system:

I will add one thing to that, which is that one aspect of the planning system has been particularly helpful: the concentration on town centres first, and the way that the
planning system has militated against out of town developments over the last decade or so, and that has been hugely helpful in terms of keeping a lot of town centres alive and helping a lot of city centres to thrive that otherwise would have lost a lot of trade to out of town shopping.\textsuperscript{75}

Michael Gahagan’s colleague Jim Coulter added that “a substantial commitment to know what you are planning, with significant community engagement, has been a critical part of making sure that people understand the process of what is going on, and support for it gets generated through that means.”\textsuperscript{76} The Campaign to Protect Rural England also spoke of the positive role planning played in regeneration, including the ‘town centre first’ policy:

In CPRE’s view, three planning policies introduced in the last two decades have in particular been tremendously successful in promoting regeneration, and subsequently protecting greenfield land from unnecessary development. The first is a national direction on a minimum density for housing development; the second is a national target for the proportion of homes to be completed on previously-developed—or ‘brownfield’—land; and the third is a ‘town centre first’ approach to retail development.\textsuperscript{77}

41. Richard Summers, President of the Royal Town Planning Institute, made a robust defence of the planning system when asked about criticisms by the Prime Minister and Secretary of State for Business, Innovation and Skills:

Planners are not the enemies of enterprise. They are not the Town Hall bureaucrats who obstruct economic growth. On the contrary, they provide policies that are integrated across areas to promote both growth and regeneration. They provide land allocations to enable commercial and industrial uses to be developed where they are needed. They also provide a basis for co-ordinating delivery to make sure that things happen, so I reject the criticism.\textsuperscript{78}

Mr Summers also criticised the Government’s proposals for neighbourhood planning, saying: “it will be very difficult for people to grapple with the enormous complexities of regeneration projects at a local level through that means”.\textsuperscript{79} Chris Brown, while claiming to be “a great fan of neighbourhood planning”, argued that amendments to the Localism Bill proposing the involvement of businesses in neighbourhood planning would “scare a lot of communities off”.\textsuperscript{80} He added, “Actually, it would probably have been better for regeneration if we had just left the planning system alone, because the planning system has not really been a problem for regeneration.”\textsuperscript{81}

42. The Government may have good reasons for its proposed reforms to the planning system, but it is not clear that they will have a significant bearing upon regeneration.

\textsuperscript{75} Q 72
\textsuperscript{76} As above
\textsuperscript{77} Ev w17, para 12
\textsuperscript{78} Q 108
\textsuperscript{79} Q 112
\textsuperscript{80} Q 246
\textsuperscript{81} As above
We question their inclusion within *Regeneration to enable growth* and the emphasis placed upon them by the Minister. Planning has in fact brought significant benefits to regeneration, in terms of co-ordination, community involvement and town centre preservation.

Evaluation

43. *Regeneration to enable* growth does not discuss how the new approach will be measured or evaluated. It talks only of a policy of transparency, in the form of “publication of local authority and central government data”, to give people “a clear view of what is being spent and where, therefore enabling them to challenge decisions that are made about their area”. The Government, in its memorandum, explains that it has chosen not to introduce any formal assessment framework:

> The Government believes that top-down performance management frameworks, such as target setting, not only create inefficient bureaucracy but also distort the outcomes that local professionals pursue on the ground, to the detriment of meeting the needs of local people.

[...]

In line with the Localism agenda, the Government will not be imposing any performance management frameworks on local partners to assess the success of its approach to regeneration. It will be up to local partners to determine the success or otherwise of their plans, and for local people to hold each other to account if their expectations are not met.

[...]

Ultimately, success of our approach will be measured by the strength and balance of the UK economy. Whilst there will be no formal evaluation or assessment, national statistics relating to employment, civic action, the wellbeing indicators being developed by the Cabinet Office, and the Index of Multiple Deprivation may be helpful to all of us interested in regeneration.

Mr Shapps told us that there would also be monitoring in place for each of the programmes within *Regeneration to enable growth*:

> I talked about all these different things in the toolkit, and every programme is monitored as well. So with the New Homes Bonus, for example, we will be monitoring the success of the programme.

44. A number of witnesses, however, called for a more formal approach to evaluation. Professor Paul Lawless from Sheffield Hallam University commented:

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82 *Regeneration to enable growth*, Tables
83 Ev 177–178, paras 37, 39 and 41
84 Q 405
it is vital the Government’s new approach is assessed. Its markedly more market-orientated, ‘disengaged’, approach provides a clear counterpoint to previous regeneration strategies. It is in everyone’s interest, including the Government’s, that change associated with this new approach is identified and lessons learned from it.

Because of the localist theme inherent to this new strategy, there will be a temptation for Government to withdraw from any notion of ‘monitoring or evaluation’, on the assumption that this is best done ‘locally’. That is precisely the wrong thing to do.85

BCSC, which represents businesses in the retail property sector, stated:

It is crucial that the Government does commit to review its policies, perhaps at five yearly intervals, as to continue further along this policy path without an understanding of the consequences would be ill-advised and possibly undermine regeneration aspirations in the long run.86

45. The Joseph Rowntree Foundation argued that qualitative intelligence was as important to measuring success as statistical information:

Our research has also highlighted the limitations of a purely statistical approach to identifying issues, barriers and solutions to enhancing the socio-economic status of individuals in deprived communities. Effectively monitoring change and the impact of initiatives can also not be measured by statistics alone. Developing qualitative intelligence is critical to informing effective regeneration strategy.87

The Institute for Economic Development suggested: “In general terms, success will be determined by the extent to which communities are vibrant and sustainable without the need for significant levels of ongoing public sector support”.88

46. The fact that Regeneration to enable growth represents a new and to some extent untested approach makes evaluation particularly important; without it, there is a risk that investment could be wasted. The Minister’s assertion that individual programmes such as the New Homes Bonus will be monitored misses the point: it is their combined impact on regeneration—tackling market failure in deprived communities—that has to be considered. We recommend that the Government identify a set of clear objectives to enable the success of its approach to be assessed at both local and national level. These should form the basis of an ongoing evaluation that looks at both quantitative and qualitative information; this should include consideration of the extent to which communities have become more self-sustaining and less reliant on public sector support.
3 The current picture

Stalled schemes

47. Our evidence suggested that the economic downturn, lack of available credit and reductions in public funding had all taken their toll upon regeneration, resulting in a reduction in the number of schemes currently underway. East Riding of Yorkshire Council said:

In the current economic climate, characterised by a failure of commercial property markets, very limited commercial lending by banks, and severe constraints on public sector funding, there is clearly a substantial lack of significant private development taking place. This is particularly marked in deprived areas, where development is often much needed, but not particularly commercially attractive, unless there are incentives available to the developers.89

The National Housing Federation agreed, saying that “declining property values and the withdrawal of funding from banks has undermined the viability of many developments”. It added, “Many residential and commercial sites have been mothballed and others are in jeopardy as private developers nearing the limits of their financial capacity have withdrawn as partners”.90 Leeds City Region spoke of “uncertainties over budgets and priorities” making regeneration difficult and “hampering efforts to secure complementary funding, including from the private sector”.91

48. During our visit to Greater Manchester, we saw examples of regeneration schemes that had slowed down or stalled—in New Islington, New East Manchester and Rochdale. The British Property Federation suggested that “very little development of any kind is now taking place outside prime areas in Central London”, and said: “As regeneration is by its nature on the margins of viability then it is affected even more severely than more standard types of development”.92 Chris Brown, Chief Executive of Igloo, claimed that “something like 90% of major regeneration projects are stalled at the moment”.93 When we put this to Mr Shapps, the Minister, he said, “I do want to challenge the 90% figure, not that it may not be the case that 90% of regeneration is delayed—my own town centre is delayed—but that it always has been.” He added that “an awful lot of projects have been delayed for an awful long time.”94

49. The Minister did not deny that very little physical regeneration is currently taking place. However, by suggesting that this has always been the case, he gave the impression that he did not see it as a particular problem. We think he should be rather more concerned. Our evidence attributed the stalling of schemes to issues such as lack of lending,
low property values and public spending reductions, all features of the current economic and financial climate. It may be the case that a number of schemes have been stalled for a long time, but the evidence we have received suggests that in recent years the problem has become more acute, with the emergence of specific barriers that need to be overcome. If the Government is to prescribe appropriate solutions, it would be helpful for it to have a clear understanding of the scale of the challenge. **We recommend that the Government make and publish an assessment of how many regeneration schemes are currently underway and how many are stalled, compared to previous years. It should also identify what it considers to be the main obstacles to physical regeneration at the present time.**

**Housing Market Renewal**

50. A particular issue raised by a number of witnesses relates to the Housing Market Renewal Pathfinder Programme. In the October 2010 Spending Review, the Government announced that funding of Housing Market Renewal as a separate programme would end in March 2011.95

51. We have heard mixed views about the Housing Market Renewal Programme. Some of our evidence has been very critical. Urban Forum observed that “reversing [housing market collapse] did not on its own address the deep-rooted causes of weak economies, worklessness or poverty”.96 It said that a 2007 National Audit Office report had “raised serious doubts about the levels of engagement with local communities, and concerns about the top down nature of the housing market approach to regeneration”.97 The Building and Social Housing Federation argued that the scheme placed “little emphasis on sustainable development, community participation or employment beyond acknowledging that housing market failure may not derive from houses but may derive from ‘non-housing factors’”.98

52. Others, however, have spoken more positively about Housing Market Renewal. During our visit to Rochdale, we learned that the local authority considered it to be one of the best government-promoted regeneration schemes as it was based on a strong understanding of the key issues; residents spoke positively about its impact in the Langley area. The National Housing Federation referred to the benefits it had brought to the construction industry, stating, “To date the HMR programme has generated £5.8 billion of economic activity, created 19,000 jobs in construction and related industries and helped maintain over 2,600 jobs in the construction industry each year”.99

53. Our evidence raised particular concerns about the suddenness with which the funding had been taken away. Michael Gahagan, representing the Housing Market Renewal Pathfinder Chairs, said:

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95 *Housing Market Renewal Pathfinders*, Standard Note SN/SP/5953, House of Commons Library, May 2011, p 5
96 Ev 219, para 2.2
98 Ev w14, para 3.13
99 Ev w12, para 2.2
Everybody expected cuts; we know we had to have cuts. It was the fact that last year it was £260 million, this year it is nothing. It is not just HMR, remember. Other associated budgets have also disappeared. One that springs to mind in the housing field is the single housing pot. In my area it was £26 million HMR, £13 million single housing pot; that is £39 million disappeared.\textsuperscript{100}

54. We also heard about the human cost of the funding withdrawal. In Rochdale, we spoke to a family whose promised new home had not been delivered. We also heard from Ros Groves, Chair of a Liverpool residents’ association, who spoke of the effects on her community:

To be honest, it is just getting people to notice what we are being left to live in. I have 88 owner-occupiers in phases 6 and 7 who are now totally and utterly stranded. I know there are 50 people in the Klondyke; there are people in Tranmere; there are people in Birkenhead. They are all in the same position. We cannot waste £60 million of public sector investment. We cannot—it just seems criminal. We have had £207 million-worth of private investment. That kind of money to us is a lot, and it seems like we are just going to go, “Okay, bye bye. It does not matter. We can just waste that; we can write it off. It is irrelevant,” but it is not.

We need to think what my people are living in and the conditions they are living in. It is a famous line: we have kids in schools; you ask them to draw a house and they will draw you a house with boarded-up windows, not fancy little curtains or anything else. To me, that is not a future that we can build on, which is criminal. We have a right to have a decent life and place where we live, and that is the one thing that we ask Government. Can we have it? Can we let any Pathfinder area be left with what some people are being left to live in?\textsuperscript{101}

55. It was suggested that action was needed to prevent the money already invested going to waste. Hull City Council warned that without a new solution, there was “a significant risk that a proportion of the over £130 million of HMR funding invested to date and the £125 million of private sector investment already made will be wasted.”\textsuperscript{102} This view was reinforced by the representatives of Manchester-Salford Pathfinder we met during our visit. The Riverside Group, a charitable housing association called for “an ordered continuation strategy to ensure a managed wind-down of the programme, even if this has to be delivered with lower resources”.\textsuperscript{103}

56. The Government, in its memorandum, spoke about “a new £5 million transition fund [...] to help safeguard and develop expertise and capacity in the five worst affected [Housing Market Renewal] areas”.\textsuperscript{104} On 9 May, DCLG announced it was “allocating up to £30 million to develop a transition scheme intended to help people trapped in the worst

\textsuperscript{100} Q 50
\textsuperscript{101} Q 285
\textsuperscript{102} Ev w39, para 4.4
\textsuperscript{103} Ev w138, para 7
\textsuperscript{104} Ev 176, para 30
conditions where Housing Market Renewal schemes have been stalled". 105 This would be a match funded scheme, with local authorities expected to provide the remaining funding. The fund was made available to "the five most challenged Housing Market Renewal areas" but excluded five other areas, including those covering Manchester and Salford and Oldham and Rochdale. 106 Jim Coulter of the Housing Market Renewal Pathfinder Chairs felt it was "no coincidence" that this announcement was made on the same day he and Michael Gahagan gave evidence. He questioned how much impact the additional funding would have: "I guess if we came back [to the Committee] every day for another seven days we might come back to the level. But it is only five [areas], and we have got problems at a different scale across the whole of those areas, so that is the literal, physical cost of the suddenness of change". 107

57. We asked Mr Shapps what hope he could offer to Ros Groves and the family we met in Rochdale:

To say that this is an inevitable consequence of an unsustainable approach, which I appreciate is not much help to somebody who is stuck in the middle of all of this, and that we will not just turn our backs and walk away. That is why, when I went to Liverpool, I announced that £30 million /£60 million fund. What really strikes me about so many of the communities that I visit—if we are back to housing market renewal, this is not true in all cases—is that quite often geographically the regeneration areas can be incredibly well placed. 108

Later in the discussion, he said that he would "not be satisfied sleeping at night until we know that people are not living in streets that are half abandoned in communities that are not functioning". 109

58. Whatever the merits of the Housing Market Renewal Pathfinder programme, the decision to end funding so suddenly has had a profound impact on the lives of people in town and cities throughout the North and Midlands. Many of those left in the mainly cleared areas are owner occupiers, often elderly and vulnerable people, who have no alternatives; as Ros Groves told us, they are "totally and utterly stranded". 110 We welcome the Minister’s assurance that the Government will not "walk away". 111 However, the £30 million transition fund is not available to all former pathfinder areas and, even in the places able to access it, will not be enough to mitigate the effects of the programme’s abrupt cessation. While the Regional Growth Fund may provide some help to affected parts of Hull and Wakefield, it is clearly not intended as a replacement for Housing Market Renewal funding. We consider that further action is urgently needed to help those affected and to ensure that the significant sums of money invested do not go to waste. We

105 "Grant Shapps: £30 million lifeline for families trapped in abandoned streets", Department for Communities and Local Government press notice, 9 May 2011
106 As above
107 Q 51
108 Q 385
109 Q 388
110 Q 285
111 Q 385
recommend that the Government set out a plan for a “managed wind-down” of the Housing Market Renewal programme in all pathfinder areas. In doing so, it should ensure that sufficient funds are available to eradicate the blight that has been left in many neighbourhoods.

Knowledge and skills

59. Our evidence raised concerns about important knowledge and skills being lost, to the detriment of regeneration projects. The development company Kier Group pointed to the abolition of Regional Development Agencies, stating that “much of the expertise built up over many years risks being lost”; it added, “Continual reorganisation of the public bodies charged with helping to spark regeneration across the regions is likely to limit the ability of the retained and new organisations to keep that stored knowledge and experience over time”.

Igloo did not think that the new Local Enterprise Partnerships would provide “a focus for regeneration skills”; it was concerned about “the reduction in staff complement at the [Homes and Communities Agency]” which it believed would affect “the capacity of the public sector to provide support for neighbourhood regeneration”. It added that “in most cases the pressures on local government funding” meant it would be “very unlikely” that this could be managed.

60. Other witnesses spoke of the need for skills to be passed on. Ken Dytor, Chair of the British Property Federation’s Regeneration Committee, pointed to the closure of Urban Regeneration Companies and the loss of “some really dedicated people”. He believed that there was a need “to harness those sort of people” and to ensure “that there is a crossover with the new younger breed of people coming through into regeneration when [...] we get recovery”. Julian Dobson of Urban Pollinators felt there was need for an organisation that would ensure that those on the frontline could access learning:

> If we are going to move into an environment with much reduced resources, which clearly we are, then we need to up-skill the people who are out there at the moment, and we need to find ways of doing that. It doesn’t really matter how that is done, whether it is through an exterior body like [the Joseph Rowntree Foundation] or an independent body, but it does need to be done, and it needs to be a priority. There needs to be a way in which frontline council officers, developers, people who are actually involved in making things happen on the ground have access to learning. What we are finding at the moment with the reduction in public sector funding is [that] the first thing local authorities and others cut back on is staff training and learning. We can see why they do it, but it is short-sighted and it will result in problems further down the line.

61. We are concerned about the loss of knowledge and skills and the serious risks this poses both in the short term and for future regeneration projects. It is important that those new to the sector have the opportunity to learn from the experience of those who have been

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112 Ev 204, section 2
113 Ev 216, para 6.10
114 Q 224
115 Q 54
involved in regeneration for many years. Our predecessors’ 2008 inquiry Planning Matters—labour shortages and skills gaps concluded that there was “a drastic shortage of planning officers [...] and a significant and growing skills gap among those planners who remain within the system” and that “the shortage of planners was identified as long ago as the late 1990s but has been allowed to continue to worsen to its present condition”.\footnote{CLG Committee, Eleventh Report of Session 2007–08, Planning Matters—labour shortages and skills gaps, HC 517, paras 6 and 15} There is a risk that similar issues could arise in regeneration if urgent action is not taken. We recommend that the Government review how regeneration knowledge and skills can be preserved and bolstered. It should consider options for sharing good practice and ensuring that there are mechanisms in place to pass on the knowledge of experienced practitioners. Actions from the review must then be implemented at the earliest opportunity.
4 Learning the lessons

62. The Government claims that Regeneration to enable growth represents a “different approach” to regeneration. It asserts that “over the past 10–15 years regeneration became overly reliant on large-scale direct public sector investment, and this was not only unsustainable, but there is anecdotal evidence that it may also have discouraged private investment”; it states that “previous models of regeneration are now simply unaffordable”.117 Its memorandum goes on to say that “even if funding considerations were more favourable, we [the Government] wouldn’t pursue the same model”, and that “the limitations of previous approaches signal the need for a new approach”. These limitations, the Government believes, include: “modest results” in spite of “10 years of intense investment”; an overreliance on “direction and control from Whitehall”; a “failure to involve local people”; and excessive “bureaucracy”, with “multiple activities and funding streams” each having their “own silo bureaucracy and reporting arrangements”. The Government references a number of studies and evaluations in support of its views.118

63. Some witnesses agreed that recent regeneration schemes have not always been effective. Chris Brown, Chief Executive of Igloo, for instance, stated that “over the past 15 years, we have had some substandard regeneration programmes in this country”.119 He referred to the Single Regeneration Budget, through which he said, “we spread a lot of money very thinly, so we failed to regenerate a lot of those places”.120 Urban Forum criticised many of the approaches taken since the 1980s:

While these have resulted in some improvements in some areas, overall they have not been successful in providing enough affordable homes, stimulating significant growth of enterprise and employment, reducing inequality between communities and geographical areas, or in working in partnership with residents to improve areas and increase social capital.121

Neil McInroy, Chief Executive of the Centre for Local Economic Strategies, asked about the failure of previous regeneration schemes, said that money “had been thrown at a problem without due understanding of the connectivity and relationships that take place in any given locality”.122 He also said that past projects “did become a bureaucracy and became process driven”.123

64. Other evidence was more positive about previous programmes. The Housing Market Renewal Pathfinder Chairs said:

117 Ev 171, para 13
118 Ev 171, para 14
119 Q 234
120 Q 235
121 Ev 219, para 2.1
122 Q 6
123 Q 9
This country has built up considerable expertise in regeneration that stands comparison with anywhere in the world, especially in integrating the various sectors to be improved and involving fully the private sector and the local community.124

The Sustainable Communities Excellence Network believed that “regeneration programmes such as the New Deal for Communities and the Market Towns Initiative [...] really did explore community engagement in both the rural and urban context and have much to ‘teach’ the new localism agenda”.125 IPPR North acknowledged that there was “a legitimate critique of the effectiveness of large-scale, capital-driven regeneration projects or indeed more community-led holistic approaches like New Deal for Communities” but spoke of “the counter-factual that without such investment over the past decade many places might have been considerably worse than they are today”.126

65. While views about the effectiveness of past programmes differed, it was generally felt that Government had not given sufficient consideration to the lessons that could be learned from them. Professor Paul Lawless of Sheffield Hallam University said:

One marked weakness in this strand of policy has been a reluctance on the part of new administrations to learn from previous regeneration initiatives. There is every possibility of this happening again, as a new government launches a regeneration programme with little if any acknowledgement of lessons from previous interventions.127

IPPR North suggested that there was “little evidence that very much has been learned from past regeneration projects other than perhaps that significant targeted intervention does not always represent value for money”.128 Jim Coulter, representing the Housing Market Renewal Pathfinder Chairs, felt that the document reflected a “year zero approach”, adding that “it ought to have reflected rather more on what past strategies have been successful and unsuccessful at”.129

66. Witnesses argued that the Government should pay greater heed to evaluations of previous regeneration programmes. Michael Gahagan of the Housing Market Renewal Pathfinder Chairs stressed that there was “a tonne and a half of evaluations around including, in terms of housing market renewal, very substantial pieces of work [which] have [been] commissioned by CLG itself, done independently by the NAO, done independently by the Audit Commission”.130 Keith Burge of the Institute of Economic Development asserted confidently that there was “enough past practice to look at; we can go back to Urban Development Corporations, City Challenge, Single Regeneration Budget, Neighbourhood Renewal Fund, New Deal for Communities and so on”. He felt that no one
had “taken the trouble to sit down and look at what has worked and why, or what has not worked and why”.  

**What can be learned?**

67. The evidence points to a number of consistent lessons that can be learned about regeneration and what makes it successful—lessons which we often found reinforced by our experience of speaking to those affected by regeneration ‘on the ground’. Among them was that regeneration required a multi-faceted approach: time and again, we heard that there was no “silver bullet” with which all regeneration problems could be solved.\(^{132}\) Leeds City Region told us that regeneration “requires a range of interventions that tackle a number of issues in a holistic and complementary manner”.\(^{133}\)

**People and places**

68. Hull City Council was one of a number of witnesses to tell us that “delivering regeneration requires a balance of people and place based approaches”.\(^{134}\) Barbara Harbinson, Chief Executive of the Halifax Opportunities Trust, a social enterprise, said that in her view “what have really worked are the schemes where you integrate people and place”.\(^{135}\) Katie Schmuecker of IPPR North agreed, arguing that “simply to support individual mobility out of lagging places” would place a “severe strain on the sustainability of some places”; her organisation therefore believed that “while individual mobility and supporting people to improve their personal circumstances is extremely important, improving places has to go hand in hand with that”.\(^{136}\)

69. The Mayor of Newham, Sir Robin Wales, referred to this mobility phenomenon when asked why there remained significant deprivation in his Borough in spite of large amounts of Government money having been spent on job creation: “What happens is they come into Newham, they get work, they get jobs and then they move out of the area and another group of people come in who are poorer”.\(^{137}\) He said that “public subsidy” was “one of the things [he wanted] to break away from”.\(^{138}\) Asked how places could escape from a “cycling of public money”, Ros Dunn, Chief Executive of the Thames Gateway London Partnership, said there was a choice:

> I would say it depends on what you think you are doing and what you think you are creating, and whether or not you have a place that you are trying to make a destination, which you would then expect to change, or whether you just accept there are going to be places where there will always be a need to provide further support

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131 Q 80
132 Qq 4, 52, 180; Q 127 refers to there being no “magic bullet”.
133 Ev 189, para 3
134 Ev w36, para 1.2.1
135 Q 279
136 Q 16
137 Q 163
138 Q 166
because the people who go there are always going to need it and then they move on.\textsuperscript{139}

She said that “one of the big legacy benefits of the Olympics is that, not just for the Olympic Park, but for the whole of that sub-region, you will start to transform it as somewhere that feels more like an acceptable destination for people to want to stay”.\textsuperscript{140}

**Long-term approach**

70. The evidence emphasised the importance of a long-term approach to regeneration. UK Regeneration stated:

> The most successful towns and cities have always placed individual projects, and particularly the use of government’s tailored initiatives, within a long term strategic approach to the economic, social and physical development of their areas. They recognise that regeneration is long term, that some complex projects may take many years to complete, and that consistency of approach is needed.\textsuperscript{141}

Places for People suggested that, while “some improvements can be achieved” in a period of “three to five years”, it believed that “twenty years is where long-term impacts can be measured”.\textsuperscript{142} The Building and Social Housing Federation said that “one of the key issues for any funding for regeneration is providing long-term stability”, reporting that “uncertainty is one of the main concerns expressed by residents experiencing the regeneration process”.\textsuperscript{143} Mr Shapps made a legitimate criticism of the Housing Market Renewal Programme, saying that it had not provided “any guarantee of funding whatsoever”, with the result that people “were left stranded in streets where there is nobody else there”.\textsuperscript{144} Discussing this issue, the Housing Market Renewal Pathfinder Chairs said that “Government and regeneration timescales do not coincide”. They referred to the "commitment to a ten year horizon [...] given to the New Deal for Communities programme" as "the exception rather than the rule".\textsuperscript{145} During our visit to Rochdale, we met some residents from the Langley area who also stressed the importance of a long term approach. One compared regeneration to losing weight: it was relatively easy to make progress at the start, but much harder to sustain it over the longer term.

**Working in partnership**

71. We heard that close partnership working was critical to successful regeneration. England’s Regional Development Agencies said that “tackling deep seated structural and social problems requires a joined-up, multi-disciplinary approach to regeneration which
brings together a range of partners locally”.\textsuperscript{146} Newcastle and Gateshead agreed that “partnership working is a key part of successful regeneration”, adding that “depending on the scale, this might include working across local authority boundaries, as well as with other agencies, community groups, private partners and local residents”.\textsuperscript{147} In Greater Manchester, we saw that the strong partnership between neighbouring local authorities, other public sector bodies and local businesses had been critical to successful regeneration.

72. A number of witnesses placed particular emphasis on the importance of close working between the private and public sectors. The development company Kier Group described the need for “a combination of private and public sector intervention working effectively and creatively across several disciplines (covering both expertise and funding)”.\textsuperscript{148} The Royal Town Planning Institute told us that one of the “critical features” of “previous successful regeneration programmes” had been a “reliance on public sector funding to pump prime the programme while [the] private sector is nurtured”.\textsuperscript{149} Lord Heseltine, who as Secretary of State for the Environment from 1979 to 1983 and 1990 to 1992 was the Cabinet Minister responsible for regeneration, said that in his experience, the lesson “that in many ways was the most profound” had been “the decision in 1979 to make the use of public money conditional on private sector partnership”. He felt this had brought benefits in making more resources available but had also strengthened “the human relationships”:

\begin{quote}
In 1979, the public and private sectors were very distant. They just did not know each other, did not work together, and many of them had great reservations about each other. Within a year or two, they were friends because they had come together to share the experience of first clearing, then developing, the sites. It created a human relationship, which is now standard orthodoxy in urban policy, which it was not then.\textsuperscript{150}
\end{quote}

**Strong local leadership**

73. Witness spoke of the need for strong leadership at the local level. Neil McInroy of the Centre for Local Economic Strategies used the term “stewardship of place”:

\begin{quote}
If you look at regeneration success round the world, you will find there is great regeneration done without lots of public money being thrown at it, but what it does need is a strong stewardship of place, be it from the local authority or from a [Local Enterprise Partnership] that has the power and some resources to act as a steward effectively.\textsuperscript{151}
\end{quote}

The Centre for Comparative Housing Research said that “strategic leadership by local authorities is essential if community-based regeneration is to flourish”, adding, “Councils have a vital role in setting the strategic agenda and providing a supportive environment”.\textsuperscript{152}
The Association of Greater Manchester Authorities referred to three examples of successful regeneration in its area, saying that in each, “the local authority has taken a leadership role in initiating the regeneration programmes”; it believed that the “consistency of leadership was critical in ensuring that the areas benefited from substantial public sector investment over a long enough period of time to make a real difference”.153

**Community involvement**

74. The evidence also points to lessons to be learned about community involvement. Urban Forum said that an “overarching lesson is that all activity to regenerate neighbourhoods must be properly integrated so that citizens benefit from it, and have a genuine say over how the area where they live is regenerated”.154 Kier Group commented that “lessons have been learned from past approaches which have often left local people disenfranchised and excluded from the development of the regeneration initiatives that they are supposed to benefit from”.155 Slough YMCA said that “often the people that can influence change are those that are working within the troubled/run down areas” and stressed the importance of “discussing issues upfront with these groups”.156 When we visited the New Islington development in Manchester, we heard that often informal approaches to community engagement were more successful; meetings had taken place in the local pub and residents had valued the efforts of professionals to speak to them in straightforward, jargon-free language.

75. Others struck a note of caution and identified some issues that can arise when communities are involved in regeneration. Professor Lawless, who directed the evaluation of the New Deal for Communities Programme, said that it was “disingenuous to assume neighbourhoods contain the experience, expertise and capacity accurately to reflect on local needs and sensibly to define solutions to local issues”.157 The Building and Social Housing Federation felt that the Government had not considered “what will happen if the priorities of the local community conflict with those of national politicians and policymakers”. It suggested a “clear, shared understanding of the problems and challenges facing regeneration areas” was needed.158

**City Challenge**

76. Some witnesses suggested that the City Challenge programme of the early 1990s was a particularly successful regeneration initiative. Chris Brown told us that City Challenge was “the best [regeneration programme] we ever got”, saying:

> If what we are looking at are small areas that we now do not think about, because they are operating as normal places, it was the case that when we had those area-

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153 Ev w180, para 4  
154 Ev 219, para 2.3  
155 Ev 205  
156 Ev w179  
157 Ev w5  
158 Ev w14, para 3.7
focussed teams and we did the social, economic and physical together, we succeeded.\textsuperscript{159}

Lord Heseltine, who as Secretary of State led City Challenge, said that on the basis of some initial research, he had found “that people regard it as a very successful initiative”.\textsuperscript{160}

77. During our visit to Greater Manchester, we saw one of the places that had benefitted from the City Challenge initiative, the Hulme area of Manchester. We found that the transformation of Hulme reflected much of what our evidence told us about successful regeneration. It brought in investment from both the public and private sectors; the focus had been both on the place, with a transformation of the physical environment, and people, with investment in job creation and community projects; efforts had been made to involve local residents in the process. It had also been a long-term process with a decade of sustained activity: the approach had not been immediately effective and in the early stages had involved a degree of trial and error. However, the eventual results had been the creation of a “normal” place in which the community took pride, and a change in the mindset of many residents, who believed they now had things to which they could aspire.

**Hulme**

Hulme is one of the areas to which City Challenge status was awarded in the early 1990s. Prior to this, the area suffered massive deprivation. It was dominated by the imposing crescent blocks built in the 1970s, which suffered infestations of cockroaches and mice, had major structural problems, and through their design encouraged crime and anti-social behaviour.

As a result of the City Challenge programme and other related investment, the area was transformed. The crescents were demolished, the street scene was restored, and funding was provided for economic development and physical, environmental and community projects. ASDA opened a store in Hulme and, through strong local labour agreements, created a number of jobs for local residents.

After 10 years of sustained activity, Hulme became a much more settled and “normal” area. It is now a much more cosmopolitan community, unemployment and crime have fallen, and property prices are comparative with those in the City Centre. Manchester Metropolitan University has plans to build a new campus in Hulme; this will include services and facilities for both students and local residents.

78. Lord Heseltine, who said that he regarded the regeneration of Hulme as “one of the most successful things I did”,\textsuperscript{161} believed that the competitive element of City Challenge played an important role in ensuring the proposals were of a high quality. He told us that in the first bidding round ten cities had been successful and 20 had not but, “the second

\textsuperscript{159} Q 234
\textsuperscript{160} Q 287
\textsuperscript{161} Q 293
year, the different quality in the 20 that lost was very encouraging, because they all went off to see how people had won and they all traded their bids up”.162 Chris Brown agreed that “a competitive process [was] valuable”, but cautioned that “the onus is then on the people judging the competition, because what you cannot have is the hardest places losing all the time”. He added, “You have to be very good at judging those competitions and understanding where their starting point is”.163 While views about the effectiveness of the competitive element varied, our evidence and what we learned on the visit suggested that City Challenge brought a number of benefits. Such benefits included:

- the requirement for private sector leverage;
- a five year programme subject to satisfactory review;
- the mixture of revenue and capital projects;
- dedicated resources committed to delivery;
- the commitment from the private sector, public sector and community involvement;
- the high level of expertise built up;
- very strong community involvement; and
- the commitment to complete regeneration, including housing, education, job creation and all quality of life improvements.

In looking to future regeneration schemes, the Government should have regard to these elements.

Conclusion

79. There is a great deal that can be learned from past approaches to regeneration. It is as important to learn from mistakes as from successes: for instance, from recent programmes such as the Single Regeneration Budget, where it has been argued that money was “spread [...] very thinly”.164 Amongst the key lessons set out in our evidence, it is clear that there is no ‘silver bullet’ and that regeneration has to involve a multi-faceted approach focusing both on people and the places in which they live. We have heard that successful regeneration takes many years, and requires the formation of strong partnerships and input and investment from both the private and public sectors. Moreover, it cannot succeed without the close involvement of the communities at which it is targeted.

80. While these messages are in many ways unsurprising, we are concerned that the Government has apparently done little to learn from them and to build its approach on what has gone before. Having concluded that previous approaches to regeneration were “unsustainable” and “unaffordable”,165 it appears to have dismissed them all and chosen to

162 Q 297
163 Q 214
164 Q 234
165 Ev 171, para 13
start again with a ‘blank canvas’. Whatever view is taken about the effectiveness of previous schemes, it is clear that they offer plenty of opportunity for learning. We can see little evidence that the measures in Regeneration to enable growth draw upon an understanding of what has worked or not worked in the past.

81. In Hulme we saw that an intensive focus on a particular area over a sustained period of time can deliver real and lasting results; we believe there is much that can be learned from the City Challenge initiative under which much of the regeneration of Hulme took place. We would like to see an approach to regeneration that incorporates the successful elements of City Challenge and leads to the creation of more places like Hulme. Such elements include the focus upon local leadership and the emphasis upon proposals put forward by the local area. While public funding is clearly limited at present, there is no shortage of creative solutions emerging from local areas; in the following chapters, we consider particular ideas put forward by Greater Manchester for using existing resources more effectively. Government should not only be looking to learn from the past but also encouraging local areas to learn from each other. We recommend that the Government carry out an urgent review of the various regeneration programmes that have taken place over the past and utilise the lessons learned for future programmes. In particular, we note that there is widespread support that City Challenge was a successful programme in concentrating resources on specific areas to promote wholesale regeneration. We further recommend that the Government invite local authorities and their partners to put forward innovative ideas for tackling regeneration in their areas. The most robust of these should then be designated as ‘pathfinders’ and taken forward with government support. Their success should be evaluated to determine the potential for wider implementation.
5 Stimulating regeneration

82. The Government has to find alternative ways of funding regeneration and needs a coherent plan for encouraging private sector involvement, including through the provision of gap funding and the closer alignment of public funding streams. In this chapter, we consider what our evidence indicates about some of the further options for stimulating regeneration activity and attracting private investment. In doing so, we have been particularly mindful that we should not look at any measure as a ‘silver bullet’ but should rather consider its potential contribution to a broader, comprehensive approach to regeneration.

Tax Increment Financing

83. Regeneration to enable growth defines Tax Increment Financing (TIF) as a “power to allow local authorities to borrow against predicted growth in their locally raised business rates”. It suggests that this “could provide funds for key infrastructure and other capital projects, which will further support locally driven economic development and growth”.166

84. We heard mixed views about the contribution TIF could make to regeneration, with some suggesting it would work better in places where the market was strong than in the more deprived areas. Julian Dobson of consultancy Urban Pollinators stated that “TIFs in particular work well in a rising market” and questioned whether TIF was “going to address the issues that we are concerned about with regeneration”.167 Hull City Council made a similar point, saying that it would be effective in places where “increased tax revenues are sufficiently certain” but that “where the risk of tax increases not materialising is significant it will be more difficult”.168 Igloo said that, while TIF was to be “strongly welcomed in principle”, it had concerns that it would “be used not for urban regeneration but for projects like large shopping centres that may even make things worse for deprived communities who see their local shops decline”.169

85. Others felt that TIF had its place if considered alongside other financial tools. The Association of Greater Manchester Authorities welcomed the TIF proposals “as part of a broader suite of tools to enable local authorities to secure growth”.170 The National Housing Federation expressed its support for “the development of innovative financial mechanisms that can help drive forward regeneration”. It said that “TIFs [were] one potential tool to support development and infrastructure that would otherwise be unviable” and called for the Government to “help unlock the potential of other mechanisms”.171 The City of Bradford welcomed the TIF proposals and declared itself

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166 Regeneration to enable growth, Tables 167 Q 67 168 Ev w38, para 3.6 169 Ev 216, para 6.14 170 Ev w117, para 1 171 Ev 125, para 2.16
“keen to explore how a TIF could help secure the delivery of local schemes that have stalled as a result of the recession”.\footnote{Ev w24}

86. Those expressing support for TIF also emphasised the need for a swift implementation. The British Property Federation welcomed the Government’s commitment to TIF but said that it was “disappointing […] that TIF is already a reality in Scotland whilst its introduction in England still looks a long way off”. It suggested that “TIF should be implemented at the best possible time i.e. when the economy is emerging from a downturn” and argued: “It would also make sense to take maximum advantage of the current interest in and enthusiasm for TIF”.\footnote{Ev w209, para 11} The Local Government Association called for TIF to be “implemented quickly”, adding: “It is particularly important given that the reductions in the public budgets available for regeneration will take effect from the next financial year that we do not lose momentum on regeneration and that the new tools available locally are brought forward as quickly as possible”.\footnote{Ev w127}

87. We asked the Ministers when the first TIF schemes were likely to be operational.\footnote{Q 396} Mr Shapps subsequently wrote to us to say that TIF “would be taken forward through the forthcoming Local Government Finance Bill, timing of which is subject to Parliamentary approval”. He added: “We will be consulting on proposals shortly and we would want to make progress as quickly as possible following that consultation”.\footnote{Ev w179} These proposals were included in the consultation on the Government’s wider proposals for business rates retention, which was published on 18 July 2011 as the first phase of the Local Government Resource Review.\footnote{Department for Communities and Local Government, \textit{Local Government Resource Review: Proposals for Business Rates Retention: Consultation}, Chapter 5}

88. \textit{It is important not to consider Tax Increment Financing as the answer to all regeneration problems. It relies on an increase in business rates revenue and accordingly may not be successful in some of the most deprived areas. Nevertheless, it offers the potential to raise finance for regeneration in certain circumstances, and should be available to local partners alongside other tools. We agree that the best time to implement TIF would be as the economy emerges from recession. We look forward to its introduction at the earliest opportunity and to seeing how the Government’s proposals work out in practice.}

\section*{Enterprise Zones}

89. In the 2011 Budget, it was announced that 21 new Enterprise Zones would be created in England. The publication of \textit{Regeneration to enable growth} predated this announcement. However, the Government’s written evidence refers to the zones, stating: “Through a combination of fiscal incentives, reduced planning restrictions and other measures, these
Zones will help kick start new investment and drive the creation of new private sector jobs in the areas they cover”.178

90. Our evidence expressed some support for the introduction of Enterprise Zones. The Thames Gateway London Partnership suggested that “the plans for enterprise zones could [...] help to regenerate deprived areas by providing incentives for business growth and encouraging new investment”.179 The National Housing Federation was also supportive of the proposals, and spoke of an “opportunity to learn from the 1980s experience of enterprise zones to ensure that they deliver real sustainable growth and are cost effective”.180

91. There were, however, warnings that the zones could simply lead to displacement rather than generating new economic activity. Katie Schmuecker of IPPR North said that her organisation’s “evidence from using [Enterprise Zones] in the past is that they are much better at attracting employers from the surrounding area to relocate than they are at creating new employment opportunities”. She also expressed concerns about the size of the proposed new zones, stating that “if they were larger, it might help to overcome some of these issues about displacement”.181 Chris Brown, Chief Executive of Igloo, said of Enterprise Zones, “on balance, they are a bad thing. They are bad either because they are located out of town [...] or because when they are in town, there will be huge displacement effects across the boundaries”. He pointed to the proposals for an Enterprise Zone in Birmingham, saying that “the area that is going to be negatively affected by occupiers who will no longer go there is much bigger than the area of the enterprise zone”.182 Michael Gahagan of the Housing Market Renewal Pathfinder Chairs said that Enterprise Zones were “a mixed message and a mixed baggage”, adding: “you do have to be very careful where they are located”.183

92. Mr Shapps acknowledged that “we have to be careful to learn the lessons of history with things like Enterprise Zones.” He added that he thought “the balance [was] about right on the Enterprise Zone front”, saying, “I think it will a big boost to areas that may struggle, but not a massive disadvantage to others who will have other policies coming down the line”.184 The Government’s prospectus for Enterprise Zones speaks of its approach “learning from previous experience” and suggests that “minimising displacement” will be an important component of this. It suggests that partnerships wishing to establish Enterprise Zones consider “how [...] the development of the Enterprise Zone [will] benefit the wider community and economy”.185

93. While Enterprise Zones may bring some benefits in terms of private investment, we are concerned about their potential displacement effect and the impact this could have on

178 Ev 173, para 24
179 Ev 182, para 7
180 Ev 125, para 2.14
181 Q 32
182 Q 239
183 Q 62
184 Q 395
185 Department for Communities and Local Government, Enterprise Zone Prospectus, March 2011, pp 3 and 6
surrounding places. It will be important to ensure that the new zones do not have a detrimental effect upon the regeneration of the wider area in which they are located; rather, it is crucial that they demonstrate a positive impact on nearby deprived communities. We welcome the Government’s commitment to minimising displacement and to learning from the 1980s experience. **We recommend that the Government work with local partners establishing Enterprise Zones to ensure that each zone has a strategy for bringing benefits to disadvantaged communities across surrounding areas. These strategies should be informed by lessons from the earlier experience of Enterprise Zones.**

**Public land**

94. Public land has an important role to play in stimulating regeneration. The Homes and Communities Agency said, “Land is an increasingly important currency to unlock development.” It told us of its work with councils “to identify the strategic contribution our land can make” and declared itself “committed to not hold land longer than is necessary and to dispose of our land on terms where it can contribute to delivery.”\(^{186}\)

95. Our witnesses discussed possible innovative approaches through which the contribution of land to regeneration could be maximised. One such approach involved the creation of “local asset backed vehicles”. The Housing Market Renewal Pathfinder Chairs set out what these entailed:

> In the classic situation the local authority puts land into a specially created company and seeks equity funding from the private sector. The company, which is jointly owned, is then able to borrow against its assets to invest in its area and the returns are distributed between a dividend and a re-investment into the area.\(^{187}\)

The Chairs said that “such a scheme, or a variation of it, would certainly seem to have its place” but warned that it was “a long term solution and [...] as yet untried”. They added that the Government could increase the appeal of such an approach “if [it] were to make it clear that any borrowing by such a body would be outside the local authority’s prudential borrowing limits”.\(^{188}\) The Leeds City Region had “made significant progress in developing proposals around a city region [Local Enterprise Partnership] based Asset Backed Vehicle” which could “form a long-term sustainable self-financing development and regeneration delivery vehicle”.\(^{189}\)

96. Some private sector witnesses felt that the public sector was not doing enough to make the best use of land. Kier Property expressed “frustration at the inability of the public authorities, especially councils, the [Regional Development Agencies] and the HCA, to engage meaningfully with the private sector in developing plans to achieve high quality regeneration initiatives”. It called on DCLG to promote an approach such that the public authorities with land that could be used for regeneration purposes should be encouraged to see the wider benefits of utilising their land.

\(^{186}\) Ev 237, section 3  
\(^{187}\) Ev 114  
\(^{188}\) As above  
\(^{189}\) Ev 190, para 12
possibly whilst adding in the land banks of developers and other private sector landowners to form more comprehensive areas of land to regenerate. Starting from a position of gifted land, with possibilities for financial returns as schemes take off, should be the default position for such public land owners when entering into such regeneration schemes.190

The British Property Federation believed that councils “should be encouraged to use their role as enablers and their new general power of competence in order to facilitate and, where feasible, ‘de-risk’ regeneration schemes”. It suggested that they “might seek to use their land assets more constructively than they have in the past to achieve longer term regeneration objectives; [and] do more to expedite land assembly, an integral part of most regeneration schemes which often involves significant time, cost and associated risk”.191

Chris Brown felt that there were “cultural” issues preventing the public and private sectors working more closely together and that overcoming these by building trust and confidence was “actually a huge challenge”. He added, “Changing the minds of local authority estates directors that there is a new way of doing things is a really big ask”.192

97. Mr Shapps told us that the Government was “really keen to see Government land developed” as it was “of little use to us as unused, underdeveloped brownfield or whatever it happens to be at the moment.” Government departments had been asked by 10 Downing Street to “bring forward their Government land” and that “what you might describe as a star chamber” was being established “to challenge [the departments] over how that process is going”. The Minister added that he was “going to be very clear with the Homes and Communities Agency that they should take a strategic business view on this, and understand that their goal is to enable development, not to stop it”. He also spoke about the “enormous possibilities” of the Government’s “Build Now, Pay Later” scheme, through which certain publicly owned sites are made available for the construction of new homes on a ‘deferred payment’ basis, so that developers do not have to pay for the land upfront.193

Regional Development Agency assets

98. A particular theme of evidence was that the assets of the disappearing Regional Development Agencies (RDAs) could make a useful contribution to regeneration. The National Housing Federation, for instance, spoke of “a real opportunity to maximise the value that these assets can bring to regenerating areas”.194 Hull City Council also expressed support for the use of the assets “to deliver the best possible outcomes for regeneration, rather than simply being sold to the highest bidder”. It added: “Clear guidance is needed as to how assets will be incorporated into regeneration schemes, on what basis they will be transferred and at what value in order to maximise local outcomes”.195 The National Association for Voluntary and Community Action warned against a “fire sale” of the assets, arguing that “disposals [should not be] allowed to proceed before communities have

190 Ev 203
191 Ev 211, para 24
192 Q 230
193 Q 397
194 Ev 125, para 2.13
195 Ev w38, para 3.5
the opportunity, to be provided in the Localism Bill, to nominate some of these assets as being of community value and of bidding to acquire them.”  

99. On 6 July 2011, the Business and Enterprise Minister, Mark Prisk MP, announced that it was the “Government’s intention to transfer the majority of the RDA land and property portfolio, into a ‘stewardship’ arrangement through which local partners, including local authorities, businesses, LEPs and others will be able to influence their development and ensure they are developed in a way which maximises economic outcomes for the area”. He added that title to the assets would be transferred to the Homes and Communities Agency (HCA), which would be “responsible and accountable for managing the portfolio”. Giving evidence shortly before this announcement, Pat Ritchie, Chief Executive of the HCA, told us what was meant by the term “stewardship”:

It means that we will work with local partnerships to agree a long-term plan for the use of the RDA sites, often sites that are alongside our own ownerships in a number of regeneration schemes. That plan would then be subject to what we are calling a co-operation agreement with that local partnership, and any income from the assets would be then used at a local level to support the development of those assets that need investment.

 Asked why the asset could not just be transferred directly to the local enterprise partnerships (LEPs), she said: “Should [the LEPs] be able to acquire the assets at market value and be able then to deliver those assets, then that is an option that we would look at through the stewardship model”.

100. The Local Government Association expressed concern that its members were “being asked to pay full market value for RDA assets”. It suggested that “a fair approach to the local taxpayer would recognise that the transfer of an asset from an RDA to a council is in fact neutral to the public sector balance sheet, and should not therefore require a charge on council taxpayers”.

101. When we asked Richard Hill, Deputy Chief Executive of the HCA, whether the insistence on market value would constrain local partners’ ability to set up asset-backed vehicles, he told us that the HCA’s approach “was not seeking to secure always maximum market value”. He added that the HCA could “structure both finance and potentially the vehicle, so there is a risk sharing approach on that land”. Asked whether the Treasury restricted the HCA’s ability to enter into this sort of arrangement, he said:

We clearly have to work within the framework that Treasury gives us, but that does give us some flexibility to do things for different uses and to structure vehicles in

196 Ev 225
197 HC Deb, 6 July 2011, col 95WS
198 Q 337
199 Q 338
200 Ev w127
different ways, and potentially to put the land into asset-backed vehicles if that was something we wanted to do.201

102. The Minister, Andrew Stunell, stressed that there was “a balance [...] in terms of making sure that, so to speak, the Government is not left with the liabilities and other people walk away with the assets”. Mr Shapps added that the Government had “no desire to hoard land at a national level when it could be used far better to aid local communities and all sorts of local ambitions from housing to economic development”.202

Public land: conclusion

103. There is doubtless great potential for public land to be used in stimulating regeneration. Our evidence suggests that innovative approaches such as local asset backed vehicles have an important role to play, especially over the longer term. However, we have heard concerns from private sector witnesses that the public sector is not always prepared to engage in such schemes. In particular, the Regional Development Agency assets could make a significant contribution to regeneration. We welcome the intention that local partners will be able to influence how the assets are developed. However, it is as yet unclear how effective the “stewardship” model will be at supporting locally-led approaches to regeneration; this is an issue to which we may wish to return at a future time. We also have some concerns that the Homes and Communities Agency’s insistence on receiving market value from any transfer to local partners may hinder some innovative uses of the assets. This appears to be symptomatic of the public sector’s aversion to taking risks with its land.

104. We recommend that DCLG issue guidance to local and national public bodies on how public land can best be used for regeneration. This guidance should include provision for an independent expert assessment of whether a particular site is viable and its potential for delivering regeneration. It should also encourage public sector organisations to be prepared to take greater risks with their land. In particular, the Government should instruct the Homes and Communities Agency to transfer land to local partners at no cost where benefits in terms of regeneration can be identified.

105. It is also important to maximise the contribution that asset backed vehicles could make to regeneration. We recommend that the Government’s guidance make clear that borrowing by asset backed vehicles will be considered outside of local government prudent borrowing limits.

European funding

106. Regeneration to enable growth identifies the European Regional Development Fund (ERDF) as a possible resource for regeneration, stating that it could provide “potential funds to support local regeneration and stimulate economic development projects”.203 The financial tables provided to us by the Government included ERDF in the list of funding

201 Qq 340–44
202 Q 399
203 Regeneration to enable growth, Tables
streams allocated across the spending review period. It is broken down into £1.4 billion “unallocated funds” and £1.044 billion “committed funds”. 204

107. Our evidence expressed concern about the possibility of ERDF money being returned unspent, pointing to doubts over the availability of match funding given the forthcoming demise of the Regional Development Agencies. Keith Burge of the Institute of Economic Development said that his members found it “curious at the very least” that there were “areas of the country where the Government can double its money with EU assistance” but that “through withdrawal of its spending it [was] missing out on the opportunity to lever that additional resource in”. 205 CEDOS/ADEPT warned that the “cuts to [Regional Development Agency] funding present a major challenge to drawing down the remaining ERDF funding and therefore to the process of economic regeneration in this country”. 206 It concluded that there was “an urgent need for the Department of Communities and Local Government to put in place a plan across Government and work with local authorities and local enterprise partnerships to ensure match funding is identified and made available to draw down the ERDF remaining across the current English programmes”. 207

108. Several witnesses also discussed the potential contribution to regeneration of Joint European Support for Sustainable Investment in City Areas (JESSICA). The Construction Industry Council said that this had “the potential to lever in additional sources of public and private investment; and to create a sustainable fund to support regeneration activity well into the future”. 208 The regeneration company Igloo viewed JESSICA as “a very positive development in regeneration funding”, but felt that there was insufficient awareness of how it could be used:

The paper [Regeneration to enable growth] doesn’t mention JESSICA funding, which we view as a very positive development in regeneration funding. In the current circumstances where there is an almost complete absence of both equity and debt for urban regeneration, JESSICA could help fill the gap (although it is not without its technical challenges) although it needs to be supported by public subsidy as gap funding in regeneration areas. However the major barrier to delivery of JESSICA funds seems to have been first the lack of recognition of its importance amongst public sector European funding professionals and politicians and subsequently the dislocation caused by the wind up of the RDAs. 209

A similar point was made by Ken Dytor of the British Property Federation, who spoke of the need “to ensure that the knowledge base about the tools that are available is improved by far”. 210
109. During our visit to Greater Manchester, we heard that the Greater Manchester Local Enterprise Partnership had developed proposals for an investment model which would in part involve the use of “Evergreen” funding, comprising JESSICA and funds from other sources, and would allow money to be recycled and reinvested. In subsequent evidence to us, the Association of Greater Manchester Authorities said that their “long term vision for Evergreen is ambitious with the fund forming the cornerstone of a much wider investment fund or funds, attracting private and public investment into projects across the area”.

110. Mr Shapps assured us that it was Government’s intention “to spend every single penny” of the ERDF allocation, adding: “Goodness knows we pay enough in, and we would like the ERDF money out again”. In a subsequent letter, he described Greater Manchester’s proposal as “exactly the sort of innovative thinking that Government wants to see in regeneration”.

111. At a time when the resources of central and local government are limited, it becomes particularly important to make use of the European funding available for regeneration. Among other things, it could provide a potential source of gap funding to help lever in private investment. We are pleased that the Minister is committed to spending “every single penny” of England’s European Regional Development Fund allocation. However, a significant sum remains uncommitted and there are doubts about whether the necessary match funding, much of which has previously been supplied by the Regional Development Agencies, can be found. We recommend that the Government set out proposals for working with local partners to identify sources of match funding, with a view to ensuring that all remaining European Regional Development Fund money is spent.

112. Our evidence suggests that JESSICA could lever in additional resources for certain projects, and, once invested and returned, provide an ongoing, sustainable fund for regeneration. We have seen plans to make innovative use of it in Greater Manchester, as part of a wider bundle of funding streams. We have heard, however, that further work is needed to make practitioners aware of how it can be used. It is perhaps telling that no mention is made of JESSICA either in Regeneration to enable growth or the Government’s memorandum to this inquiry. We recommend that the Government disseminate to relevant bodies guidance setting out the possibilities for the use of JESSICA in regeneration. This guidance should include examples of schemes in which JESSICA is already being successfully employed.
6 Promoting a localist approach

“Community-led regeneration”

113. The Government has indicated its commitment to the principle of “community-led regeneration”. Its Regeneration to enable growth document is subtitled “What Government is doing in support of community-led regeneration”, and speaks about its approach “putting residents, local businesses, civil society organisations and civic leaders in the driving seat and providing them with local rewards and incentives to drive growth and improve the social and physical quality of their area”.214 Mr Shapps, the Minister, told us that the document represented “a very deliberate attempt to move from the top-down, centrally driven, bluntly unaffordable and certainly unsustainable approach to redevelopment and regeneration”.215

114. Our evidence was generally supportive of a “community-led” approach to regeneration. Igloo welcomed the move to a “more localist approach to regeneration” because it believed that “local communities contain ‘locality experts’ without whom regeneration will be unsuccessful”.216 Ros Groves, the Chair of a Liverpool residents’ group, said that regeneration “has to be community-led, because from the community up is where it will start, and where it will pass and flourish”, adding: “The community knows what is best on the ground for the neighbourhood that it lives in”.

115. While supporting the principles, the evidence raised concerns about the ability of the Government’s approach to deliver “community-led regeneration”. Representatives of the voluntary and community sector were particularly forthright. Toby Blume, Chief Executive of Urban Forum, said that it was “not particularly clear how [the Government was] going to marry up ‘community-led’ as a phrase, with regeneration”.220 John Tizard, a trustee of National Association for Voluntary and Community Action (NAVCA), said that his organisation “[subscribed] to that commitment to community-led regeneration in the title but […] much of the content does not give us the confidence that it is going to be seen through”. He cautioned: “The emphasis is on infrastructure-led regeneration and the role of the private sector [which] could, unless there are counter-measures included, exclude
communities and this could then be very much about regeneration being done unto communities, rather than community-based and led”. 221

116. Our evidence expressed doubts about the role of voluntary and community groups under the new approach. The Joseph Rowntree Foundation warned that “the options or powers for communities outlined in the CLG document tend to be substantial” when “in practice, neighbourhood groups are often keen to take on smaller projects”.222 It said that when competing for rights and powers with larger bodies, community groups could often lose out, adding: “Few things will disillusion communities more than the realisation that these words ['community-led'] actually mean ‘private sector led’ or 'local authority led'”.223 NAVCA told us that voluntary and community organisations had “already been sidelined or overlooked completely in some of the new initiatives under the regeneration umbrella”, suggesting by way of example that their involvement in Local Enterprise Partnerships had been limited. It asked us to “recommend that civil society, including [voluntary and community organisations], [be] given equal status alongside the public and private sectors in a new approach to regeneration”.224

117. There was particular concern about the capacity of community groups to deliver regeneration, given the impact of recent funding reductions upon the voluntary and community sector. The Institute for Historic Building Conservation and Historic Towns Forum warned that “the loss of funding to the voluntary/community sector from both local authorities and the various special interest non-governmental bodies” was “limiting capacity for third sector led regeneration projects, and [seemed] to fly in the face of the Government’s aspirations for The Big Society and locally determined policies and agendas”.225 Locality, a voluntary sector interest group, noted the Government’s intention to provide a £100 million Transition Fund but argued that it did “not go nearly far enough in addressing the scale of the cuts facing the sector”. It said that “many voluntary groups, charities and social enterprises that have in the past delivered effective regeneration programmes, now face a very uncertain future”.226 Barbara Harbinson, Chief Executive of the Halifax Opportunities Trust, a social enterprise organisation and member of Locality, spoke of the funding cuts creating “a difficulty at local level” and said: “Unless something else is put in place, I think that the mechanisms to deliver [Regeneration to enable growth] are just not there, as far as I can see it. Aspirations are there, but not the practical mechanisms”.227 Ros Groves said: “You ask us to do things, but there is nothing here to be able to implement it with”.228 She spoke about the responsibilities that had been placed upon her as a volunteer, telling us that she had been responsible for informing residents in

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221 Q 252
222 Ev 136, section 3.2. A similar point was made by Nigel Mellor, a Cheshire resident who has been involved in regeneration for many years, Ev w175.
223 Ev 136, section 3.2
224 Ev w106
225 Ev w170, para 2.2
226 Q 277
227 Q 270
228 Q 270
her area, her “neighbours and [...] friends” that Housing Market Renewal funding had been withdrawn.\footnote{Q 272}

118. We fully support the Government’s commitment to delivering “community-led regeneration”. We have heard strong evidence about the importance of involving local people in projects that affect their area. Witnesses have stressed that this is nothing new and that there are many existing approaches to community involvement from which positive lessons can be learned. More worryingly, we have also heard significant concerns, particularly from the voluntary and community sector, that, in spite of the Government’s enthusiasm for giving communities greater involvement in regeneration, its approach will do little to enable such involvement. Moreover, there is a risk that, against the backdrop of significant spending reductions, many of the community groups most closely involved in regeneration will struggle to stay afloat. If a “community-led” approach to regeneration is to succeed, community groups need some certainty about the future. We agree that while the “aspirations” for “community-led regeneration” are there, the “practical mechanisms” to deliver it are often lacking. We recommend that the Government work with representatives of the voluntary and community sector to develop more detailed proposals for promoting the active involvement of communities and community groups in regeneration. We invite the Government to provide us, in its response to our Report, with a number of examples of "practical mechanisms" for implementing community-led regeneration, both those which are already in use and those which the Government intends to develop. These examples should address the particular concerns community groups have expressed to us about their capacity to play a greater role in regeneration, and set out how they will give such groups confidence about their future and a degree of certainty about funding.

‘Strategic localism’

119. As well as expressing support for the close involvement of communities and community groups, our evidence also stressed the need for a co-ordinated, strategic approach across the wider local area. The Joseph Rowntree Foundation pointed to research which suggests that “community empowerment and community engagement, while necessary components of good regeneration, are not sufficient in themselves” but need support “from players at other levels of government”. Councils and their partners, for instance, “play a key role in setting overall priorities, providing an overarching framework for planning [and] overseeing broader policy issues”.\footnote{Ev 135, section 3.1} The Local Government Association expressed support for “a locally led approach to regeneration with decisions taken by democratically accountable local councils working with residents, local businesses, the voluntary sector and social enterprises to promote economic growth and a high quality of life locally”.\footnote{Ev w126} Earlier in this report, we saw that a key lesson learned from earlier approaches to regeneration was the importance of the council providing “stewardship of place” and political leadership to bring together the range of public, private and voluntary sector organisations with a contribution to make to regeneration.

\footnote{Q 272}{\footnote{Ev 135, section 3.1}{\footnote{Ev w126}}}
120. Lord Heseltine argued that the current way in which Government operated made it difficult for councils to deliver a co-ordinated approach to regeneration at the local level. He cited Manchester as an example:

There is no one in central Government looking at Manchester and asking what can be done to enable Manchester to excel. There are people in central Government looking at its housing, education and transport. It is all micro. I know of no other country of our sort that behaves in this way. But the staff working in Manchester respond to all of this. The power and money they have comes from the central Government in a functional route. The circulars they get do not talk about going to Manchester, they talk about a particular function of Manchester. They send the same circulars to Newcastle, Liverpool, Leeds and Bradford. There is an all-seeing, all-knowing, all-thinking functional direction from London.232

**Community budgets**

121. Time and again, the evidence we received suggested that the Community Budgets233 initiative had an important role to play, not only in facilitating a more co-ordinated approach to regeneration, but also in ensuring the best use was made of the limited resources available. Chris Murray, Director of the Core Cities Group, said that Community Budgets “have the potential to work at a much wider level and to take in a much wider range of funding from different Whitehall Departments and resources, and to pool these at the local level”. He told us that this would “do two things. It will create a massive efficiency in our view and secondly, it would create leverage on private sector investment for private sector growth”.234 CEDOS/ADEPT argued that “a genuinely localist approach would allow organisations in the local area to pool budgets for whatever purpose they choose so as to provide the best service for local people”. It saw “considerable potential for this in economic development and regeneration”, believing it “essential that all levels of funding and intervention are covered”.235

122. There was also support for this initiative from the private sector, with the British Property Federation (BPF) urging Government to “fully embrace the concept of Total Place/Total Capital that seeks to achieve a more joined up approach to all funding destined for a particular area, creating shared facilities where feasible”.236 Ken Dytor, Chair of the BPF’s Regeneration Committee, spoke of the need “to be getting cleverer at the way we package the cash that is coming out of Government”:

I have long been arguing about the fact that there are capital cash flows going into health, education, housing, etc. We need to be looking more cleverly at how we

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232 Q 292
233 A 2010 Government publication sets out what Community Budgets involve: “We believe that communities should be able to combine different sources of public money to create pooled budgets to tackle difficult cross-cutting issues within an area. These are known as ‘place-based’ or community budgets”. Department for Communities and Local Government, Decentralisation: An Essential Guide, December 2010, p 8. Community Budgets build upon the previous Government’s Total Place initiative.
234 Q 195
235 Ev 120, para 22
236 Ev 211, para 23
harness those cash flows. They are in silos still, such as university funding, and there are opportunities to break down the barriers for mixed-use developments. A lot of this—universities and education—can be in areas where you need regeneration. Let us be a lot cleverer about how we use those cash flows and how the schemes are put together. The silo mentality still exists.237

Chris Brown, Chief Executive of Igloo, spoke about the importance of “aligning the public funding flows from all sorts of different programmes so that we can use what public money there is to attract private money”.238 We also heard from the Core Cities Group that

the principles behind the Community Budget approach [hold] out a potentially different future model for capital finance. The development and devolution of single capital budgets for economic development, housing and transport to cities and city-regions would be a significant measure to enable areas to better plan and co-ordinate development and attract private sector investment.239

123. When visiting Greater Manchester, we heard that local partners had developed a proposal for a single Greater Manchester Budget for economic development, housing and transport. It was claimed that this would lead to a more efficient, more co-ordinated approach, make it easier to focus on key priorities, and allow for a long-term strategy uninterrupted by changes at the national level. Private sector representatives strongly supported the proposal, arguing that it would make it far simpler for them to invest, and would improve their engagement with public sector organisations. Alongside this, there was an ambition to create a Greater Manchester Community Budget through which the local authorities and partner organisations would pool portions of their budgets. The Association of Greater Manchester Authorities was keen to ensure that Work Programme prime contractors, Primary Care Trusts and General Practitioner commissioners were engaged in the process.

124. Some witnesses suggested that a lack of a co-ordinated approach within central government was hindering efforts at the local level. Paul Evans of UK Regeneration said that it was “critically necessary” for DCLG, the Department for Work and Pensions and the Department for Education to “come together and understand how far they are releasing the boundaries”.240 Richard Summers, President of the Royal Town Planning Institute, added that DCLG and the Department for Business, Innovation and Skills did “not speak the same language—it is like Latin and Aramaic—because they come from such completely different points of view”.241 We also heard from Lord Heseltine that DCLG did “not have the clout” to deliver the joined up approach he believed was needed at local level.242 In our recent inquiry on Localism, we considered Community Budgets in some detail. We heard from the Minister of State for Decentralisation, Rt Hon Greg Clark MP, that while there was an onus upon central government to become more joined-up, local bodies also shared

237 Q 207
238 Q 203
239 Ev 200, para 5.1.7
240 Q 116
241 Q 117
242 Q 293
some responsibility for making Community Budgets work. He said that Government was establishing an “ethos [...] whereby communities themselves can suggest different ways of doing things”. In our report, we noted that some departments were far more enthusiastic than others, and recommended:

that the Government publish regular reports on the progress of the community budgets programme, specifically the progress that is being made by individual departments in identifying their contributions, and how those contributions match up to requests made by local authorities. This is a crucial programme that demands a great deal more concrete commitment from government departments than has thus far been demonstrated.

125. Mr Shapps told us that “no Department can make it happen on their own” but said that Community Budgets were “an idea whose time has come, and we must absolutely deliver on it”. He told us that it was “crazy to have so many completely unlinked funding streams, often not appreciating that the other one is there”. Mr Stunell added that he did not think it “a secret that there is a silo mentality in policy delivery terms in central Government”. He spoke of a “really significant challenge” but said that there was “real energy behind it both inside the Department and across Departments to make sure that we can deliver”. While the initial focus would be on “quite a small number of local authorities and quite a confined set of policy areas”, he believed that “very quickly we need to get that to be looking holistically at neighbourhoods and all the public funding going to specific neighbourhoods”.

126. Subsequent to this session, Mr Shapps wrote to us with a copy of the terms of reference for the second phase of the Local Government Resource Review. DCLG said that they demonstrated that “all of Whitehall [was] on board and taking practical steps to explore a very radical approach to Community Budgets, which will cover all spending on local public services in an area”. One part of the review would “involve inviting communities in two local authority areas to co-design with local services and Whitehall how a Neighbourhood Level Community Budget and Local Integrated Services approach could be implemented”; the other would “involve two areas, comprising local authorities and their partners, working with Whitehall to co-design how a Community Budget comprising all spending on public services in an area might be implemented”. A position statement on the Capital and Assets Pathfinder Programme, published by DCLG in August 2011, set out some of the benefits identified by this programme and stated that the Government “[wanted] local areas to recognise the potential of greater collaboration across the public sector when managing capital investment and assets”. In September 2011,
DCLG announced that an amendment made to the Localism Bill would enable “cities to bid for new powers to spark economic growth”. The announcement said that the amendment “opens the door to greater local control over investment to drive growth, for example for housing and planning, economic development, or pooling resources and effort across functioning economic areas”. Giving evidence to us on 12 September 2011 about the Local Government Resource Review, the Secretary of State for Communities and Local Government, Rt Hon Eric Pickles MP, said that the previous week the Prime Minister had “put [him] in charge” of the Community Budgets initiative. Asked who had been in charge prior to him, Mr Pickles said, “I think it was the Secretary of State for Good Intentions. They were not doing such a good job”.

127. As part of a localist approach to regeneration, councils have an important role to play in providing a strong “stewardship of place”, bringing partners together and ensuring regeneration activity is co-ordinated across their local area. The Community Budgets programme offers opportunities to facilitate this co-ordinated approach and to ensure that public money is spent according to a shared understanding of local regeneration priorities. Moreover, at a time when resources for regeneration are very limited, it is capable of generating significant efficiencies. There is also the potential to extend the initiative to explore the pooling of capital funding through a place-based approach. At a time when the lack of available capital is a major barrier to regeneration, the alignment of various capital public funding streams could play an important role in levering in private investment.

128. We have commented previously on the importance of all Government departments contributing to the Community Budgets initiative. We are pleased that some progress has been made and welcome the action proposed for the second phase of the Local Government Resource Review: it is especially promising that this will consider the possibility of Community Budgets covering the totality of public spending in an area. It is also welcome that the Prime Minister has now put the Secretary of State in charge of co-ordinating the initiative. The Government should, however, be taking the initiative forward at greater speed, particularly in places such as Greater Manchester where there is great enthusiasm amongst local partners to get on and deliver a new approach. We are concerned about the risk of opportunities being missed and money wasted, in regeneration and across public services more widely.

129. **We recommend that the second phase of the Local Government Resource Review consider how Community Budgets can be used to support regeneration.** The Government should ensure that areas with a clear regeneration need are included amongst those chosen to pilot the new neighbourhood level and whole area Community Budgets. These pilots should look in part at how Community Budgets can best be used to tackle issues of deprivation and disadvantage.

130. **We recommend that the Government allow Greater Manchester to take forward its proposal for a single budget at the earliest opportunity, as one of a series of pilots**

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249 “Cities to bid for new powers to spark economic growth”, Department for Communities and Local Government press notice, 13 September 2011

250 Uncorrected transcript of oral evidence taken before the Communities and Local Government Committee on 12 September 2011, HC (2010–12) 1470-i, Qq 80–81
exploring the pooling of capital budgets in areas such as housing, economic development and transport. These pilots should consider the potential of this pooling approach to lever in greater private sector investment. There is an onus upon local authorities as well as central government to make Community Budgets work. We therefore urge other councils and partnerships to come forward with innovative proposals which build on the Community Budgets model. The Government should ensure such proposals are given the necessary support.
7 Conclusion

131. *Regeneration to enable growth* offers little evidence that the Government has a coherent strategy for addressing the country’s regeneration needs. The document lacks strategic direction and fails to target action and resources at the communities most in need. The measures it sets out are unlikely to bring in sufficient resources or to attract the private sector investment that in many areas is badly needed.

132. We have seen and heard about some of the challenges our most deprived communities currently face. Across the country, regeneration projects have stalled or stopped completely as funding reductions and the absence of finance have taken their toll. The cessation of Housing Market Renewal funding in particular has caused problems for many communities, blighting neighbourhoods across the North and Midlands with row upon row of boarded-up houses. Furthermore, the knowledge and skills of those closely involved in regeneration for many years are now at risk of being lost; a clear approach is needed to ensure they are preserved and passed on.

133. Moreover, the Government has apparently paid little regard to the lessons from previous approaches to regeneration. We have heard that there is much that can be learned from both successful and unsuccessful initiatives, and that the past offers particular lessons about the factors contributing to successful regeneration. In Hulme we saw for ourselves an example of an approach that worked: the Government should be learning from this and looking to create more places like Hulme.

134. Our evidence pointed to a number of actions that, as part of a wider approach, could help to get regeneration projects underway again and to incentivise much needed private sector involvement. More must be done to ensure public land and European funding are used to their full potential. We also look forward to the implementation of Tax Increment Financing and to seeing the contribution this can make to regeneration.

135. We agree with the Government that it is right to move towards a localist approach to regeneration. Communities have to be placed at the heart of initiatives affecting their area; the voluntary and community sector has an important role to play in enabling this. Witnesses, however, have suggested that while the “aspirations” for community-led regeneration are in place, the “practical mechanisms” are lacking. It is not clear that *Regeneration to enable growth* will give communities the support they need to play a greater role in regeneration.

136. A localist approach to regeneration will also involve political leadership and partnership working across the wider local area. The Community Budgets programme has a crucial role to play in enabling this; the second phase of the Local Government Resource Review should give greater consideration to how Community Budgets can be used in regeneration, including their potential for levering in private investment.

137. We heard many times that there was no ‘silver bullet’ with which all regeneration problems could be solved. Tackling regeneration requires a joined-up approach and a concerted effort. This emphasises the need for clear strategic direction at the national level, something that, as we have seen, is currently lacking. We recommend that the Government *publish a national regeneration strategy that sets out a coherent approach*
to tackling deprivation in the country’s most disadvantaged communities. This strategy should:

- begin by defining what is meant by regeneration and by emphasising its focus on tackling market failure;
- explain clearly the action the Government will take to target resources at the communities most in need;
- provide for the “managed wind-down” of the Housing Market Renewal programme;
- set out action to mitigate the risk of a skills shortage in regeneration;
- include a plan for bringing in private sector investment, considering, amongst other things, potential sources of gap funding, the role of initiatives such as Tax Increment Financing and Enterprise Zones, and the contribution that can be made by better use of public land and European funding;
- put in place mechanisms to enable community groups to play a greater role in regeneration; and
- explore the potential of the Community Budgets initiative to facilitate a joined up approach to regeneration and to lever in additional private finance.

It is crucial that the strategy be based upon a clear understanding of lessons from previous approaches and of the factors that have contributed to successful regeneration. It must also include a clear set of objectives against which its own success can be measured. We hope that our inquiry and this report presage a more determined focus on the part of Government to tackle the deep-seated problems of market failure and deprivation which still blight too many of our communities.
Annex—Visit to Greater Manchester

New Islington

The Committee met: Nick Johnson, Deputy Chief Executive, Urban Splash; Richard Hattan, Development Director, Urban Splash; New Islington residents.

The redevelopment of New Islington was part of the Millennium Communities programme launched in the late 1990s. The area comprised 10 hectares of land on the fringe of Manchester City Centre occupied by the Cardroom Estate. The estate had a reputation as one of the worst in Manchester, with issues including urban deprivation, poor health, unemployment and benefit dependency.

The initiative was structured around a development agreement in which Manchester City Council provided the land and English Partnerships (later the Homes and Communities Agency) pledged £18 million of funding. Local residents, the City Council and English Partnerships together selected Urban Splash as the lead developer.

Members had a tour of the New Islington site, spoke to two local residents, and saw a number of completed housing developments as well as ongoing work.

Areas of discussion included:

**Community involvement:** The experience in New Islington had shown the benefits of regeneration professionals speaking to local residents in clear, straightforward language. Meetings with residents had taken place in relaxed settings such as the local pub; it had at times proved difficult to account for this informal contact with public bodies, because of the need to follow established frameworks. The residents the Committee met appreciated the steps taken to involve them, and felt they had been given a genuine say in the development of the area.

‘Placemaking’: One of the aims of the New Islington development had been to re-plan and re-imagine what a ‘proper place’ might look like. At the centre of the development a new park was being created, and a link established between two existing canals. The architecture aimed to provide a ‘twist’ on the traditional sense of what a place should be. This approach had attracted international attention, and the lessons learned had been transferred to other places.

**Impact of the financial climate:** The slowdown in the economy had impacted significantly upon the New Islington development; the pace of change had slowed considerably and the development was unlikely to be completed to the original timescales. Different types of housing, such as high-density, low rise flats were now being considered.

New East Manchester

The Committee met: Richard Elliott, Director, Manchester Salford Housing Market Renewal Pathfinder; Professor Michael Harloe, Chair, Manchester Salford Housing Market Renewal Pathfinder; Bruce Lister, Regeneration Manager, North West, Lovell Homes; Ian Slater, Deputy Chief Executive, Regeneration, New East Manchester Ltd.
New East Manchester Ltd was established in 1999 and is responsible for the regeneration programme in East Manchester. This covers a huge area that was once the engine room of the industrial revolution, but fell into a spiral of decline and deprivation from the 1960s onwards. The aim is to make the area an attractive and vibrant destination.

The Committee visited the Higher Openshaw area of East Manchester, which had been highlighted as one of the Major Intervention Areas of the Manchester Salford Housing Market Renewal Pathfinder. The focus of investment had been on tackling the over-supply of obsolescent and unpopular pre-1919 terraced housing and creating sites for new development that would increase housing choice and quality within the area. Working in partnership with Lovell Homes, as the development partner, New East Manchester / Manchester City Council had overseen the demolition of approximately 550 blighted homes and the adoption of a masterplan to ultimately deliver over 430 modern family homes in a range of types and tenures. Phase 1 of the project has delivered 96 of these new homes to date; and a reserved matters planning application for a further 118 homes will be submitted in the summer of 2011. However, because of market conditions, the delivery of the overall development will now happen over a more extended period than had originally been anticipated.

Alongside this, £40 million has been invested in a new Openshaw district shopping centre by Dransfield Properties. Central to phase 1 of this scheme was a Morrison’s supermarket which opened in November 2010; phase 2, focusing on smaller shops and office accommodation will be dependent on an upturn in the housing market. Public infrastructure investment had also led to opening of a multi-purpose community facility, a primary care centre and a sports centre.

The Committee toured the Fairfields development in Higher Openshaw and were shown one of the apartments built by Lovell Homes.

Areas of discussion included:

**Housing Market Renewal Pathfinder:** The HMR Pathfinder had been focussed on renewing the housing market, not just the stock, and had led to the creation of much-needed public infrastructure. It had also been successful in encouraging private sector involvement. The sudden withdrawal of HMR funding had been problematic as this, and other neighbourhoods benefitting from HMR investment in Manchester and Salford, had not yet reached the point where private sector investment alone could deliver the “neighbourhoods of choice” that the Pathfinder partners were seeking to achieve. There had been no discussion about how the programme could be completed and there was therefore a risk of the progress made to date being eroded and significant gains made to date being lost.

**Sale of properties:** Market conditions meant that sales had dried up and future phases of the scheme would be reviewed. Although a relatively small part of the scheme, the apartment element of the development had proven difficult to sell, primarily due to the attitude of lenders to this type of product. The developer has explored a number of solutions including a shared equity approach and is also letting a number of the apartments for the short to medium term. The review of future phases will assess the most appropriate product to meet market conditions—but there was reluctance on all sides to compromise
too far on the quality of development and the urban design principles agreed within the masterplan.

Rochdale

The Committee met: Cllr Colin Lambert, Leader, Rochdale Metropolitan Borough Council; Andy Zuntz, Executive Director, Rochdale MBC; Peter Rowlinson, Service Director, Planning and Regulation, Rochdale MBC; Penny Sharp, Service Director, Housing and Regeneration, Rochdale MBC; Steve Bloomer, Area Director for Sustainable Communities (Langley), Rochdale MBC; Carol Hopkins, Business Liaison Manager, Rochdale MBC; John Hudson, Chief Executive, Rochdale Development Agency; Richard Duddell, Rochdale Development Agency; Patrick Jackson, Director, Vindon Scientific Ltd; Jon Scopes, Finance Director, Vindon Scientific Ltd; Langley and East Central Rochdale residents.

Rochdale is the third smallest Greater Manchester district by population, but the second largest by area. It has an industrial background, and remains dependent upon the manufacturing industry. It has low average wages and high average unemployment; there is a large ethnic minority population and a young average population age. Unlike nearby towns, it has not suffered particular issues of unrest in recent years.

It is considered that Rochdale has great economic potential, with its location midway between Manchester and Leeds. There have been a number of missed opportunities over the last 30 years, but the opening of the Kingsway Business Park has created new interest in the Borough.

The Committee visited Langley, Rochdale Town Centre, East Central Rochdale and the Kingsway Business Park.

Areas for discussion included:

**Housing Market Renewal:** The HMR Pathfinder programme was felt by the Council to have been one of the best government-promoted regeneration schemes, as it had been based on an understanding of the key issues. It had made a big impact in Rochdale, but the termination of the funding created challenges. Demolitions had taken place, sites were ready for development, but it was proving difficult to engage developers. The Council argued that some form of stimulus was urgently needed, and was unsure why none of the £30 million transition matched funding had been made available to Rochdale.

In East Central Rochdale, the Committee met an owner-occupier family living in poor conditions whose home had been included in the clearance programme. They had signed up for a new property three and a half years ago, but the development had not gone ahead within the planned timescales. They were now having to consider other options; the issues had been exacerbated by the lack of available credit.

**Links with Greater Manchester:** Rochdale MBC works closely with the other nine Greater Manchester authorities on a range of issues; there is a common strategy and a Combined Authority has recently been established. This collaboration and cooperation is considered very important to the Borough. Establishing good transport links is critical, and the extension of the Metrolink and opening of a new bus station (the latter subject to the
outcome of a funding submission to the Department for Transport) are expected to bring benefits to the town.

**Regeneration as a joined up process:** The Council felt that investment in regeneration had to be joined-up. Skills, employment, transport, housing, education and family policy were all important. Having to “bid for this and that” in a piecemeal fashion did not encourage a holistic approach. A single Greater Manchester budget would be a helpful step towards greater co-ordination.

**Business and employment:** The Kingsway Business Park is considered one of the most strategically important developments of its kind in the UK, and has the potential for 7000 jobs. There has been £40 million of public investment in the site; the Committee was told that this was primarily due to the sheer size of the scheme and the expense of connecting to the M62 motorway and had been needed to create a quality offer that could compete with other areas. This £40 million public investment would be against a total investment value for the site of some £350 million.

**Town Centre redevelopment:** A £250 million investment programme would be taking place in Rochdale Town Centre over the next five years. It was suggested that this would be important economically (in an area with high levels of unemployment), as well as improving the quality of life for the people of Rochdale. One direct example is the new housing planned for the adjacent East Central Rochdale.

**Residents’ perspectives on regeneration:** The Langley residents spoke passionately about the impact of regeneration on their area which they said had risen “like a phoenix from the ashes”: homeless people had refused to live there in 2002, but there now was a waiting list for choice-based lettings; the school had been very poor but was now one of the best performing in the Borough; people had been closely involved in the process and had learned to trust the council.

While progress had been made, the residents were still concerned about the area sliding backwards. One observed that regeneration was like losing weight: you make great progress in the first year, but the challenge is sustaining it over the longer term.

**Greater Manchester Local Authorities, Local Enterprise Partnership and Chamber of Commerce**

The Committee met: Cllr Lord Peter Smith, Leader, Wigan MBC and Chair, GCMA/AGMA Executive Board; Cllr Sir Richard Leese, Leader, Manchester CC and Vice Chair, GCMA/AGMA Executive Board; Cllr Matthew Colledge, Leader, Trafford Council and Vice Chair, GCMA/AGMA Executive Board; Mike Blackburn, Chair, Greater Manchester LEP and North West Regional Director, BT; Keith Johnston, Member, Greater Manchester LEP and Partner, Addleshaw Goddard; Ken Knott, Member, Greater Manchester LEP and Chief Executive, Ask Developments; Scott Fletcher, Member, Greater Manchester LEP and Chairman, ANS Group; Clive Memmott, Chief Executive, Greater Manchester Chamber of Commerce; Sir Howard Bernstein, Chief Executive, Manchester City Council and Chair, AGMA Wider Leadership Team; Eamonn Boylan, Chief Executive, Stockport Council.
The session began with a presentation from Sir Howard Bernstein; this set out Greater Manchester’s approach to regeneration, the progress that had been made, and the key challenges that lay ahead. There was then a general discussion of the key issues.

Areas of discussion included:

**Partnership working:** One of the key ingredients of success in Greater Manchester was the close relationships established between constituent authorities of all parties. These had taken time (over 20 years) to develop and were firmly grounded in trust. It was suggested that the introduction of a mayoral system could potentially destabilise working arrangements.

**Strategic approach:** Greater Manchester was considered to be a functional economic area with a single labour market. An independent economic review had provided an opportunity for a strategic approach to be reassessed and resulted in the publication of the Greater Manchester Strategy, setting out a strategic 10-year vision for the area. It was felt that this long-term, co-ordinated approach was essential for addressing the key challenges.

**Shared budgets:** Greater Manchester had discussed with Government the possibility of a single budget for economic development, housing and transport. It was argued that this would lead to a more efficient, more co-ordinated approach. It would make it easier to focus on key priorities and would allow for a long-term approach uninterrupted by changes at the national level. The private sector representatives strongly supported this approach, arguing that it would make it far easier for them to engage with public sector organisations. Alongside this, there was an ambition to create a Greater Manchester Community Budget through which the local authorities and partner organisations would pool portions of their budgets. AGMA was keen to ensure Work Programme prime contractors, PCTs and GP commissioners were engaged in this.

**Investment model:** Greater Manchester had developed proposals for an innovative investment model, based in part on the use of JESSICA funding. It was felt this would be an effective way of dealing with market finance failure. This would be the subject of a further memorandum to the Committee.

**Local Enterprise Partnerships:** It was argued that the Greater Manchester LEP had real influence because of the strength of the partnership between the public and private sectors. There was a warning that LEPs could be ‘emasculated’ if they were overloaded with responsibilities.

**Skills:** Greater Manchester was keen to have more influence over spending on skills. This would enable a more localised approach, involving employers in discussions about the market and tailoring skills provision towards local needs. It would also allow the authorities to take the longer-term approach they believed was needed.

**Regeneration and economic growth:** It was argued that regeneration involved linking deprived sections of the community to areas of economic growth. Business leaders recognised the need to work with local authorities to create opportunities for people across the whole of Greater Manchester.
AGMA would also provide the Committee with supplementary notes on the Carrington development in Trafford, the approach taken in Greater Manchester to the National Affordable Housing Programme, the impact of the procurement process on regeneration delivery, and lessons from previous regeneration programmes in Greater Manchester.

**Hulme**

The Committee met: Sue Ahmadi, Principal Regeneration Officer, South Manchester Regeneration Team; Andy Wilson, Regeneration Manager, South Manchester Regeneration Team; Tom Cass, South Manchester Regeneration Team; a group of Hulme residents.

Hulme is one of the areas to which City Challenge status was awarded in the early 1990s. Prior to this, the area suffered massive deprivation. It was dominated by the imposing crescent blocks built in the 1970s, which suffered infestations of cockroaches and mice, had major structural problems, and through their design encouraged crime and anti-social behaviour.

As a result of the City Challenge programme and other related public and private investment, the area was transformed. The crescents were demolished, the street scene was restored, and funding was provided for economic development and physical, environmental and community projects. ASDA opened a store in Hulme and, through strong local labour agreements, created a number of jobs for local residents.

After 10 years of sustained activity, Hulme became a much more settled and “normal” area. It is now a much more cosmopolitan community, unemployment and crime have fallen, and property prices are comparable with those in the City Centre. Manchester Metropolitan University has plans to build a new campus in Hulme; this will include services and facilities catering for residents and students.

The Committee heard the story of the regeneration of Hulme, spoke to local residents, and were given a tour of the area.

Areas of discussion included:

**Long term approach:** the City Challenge programme lasted for five years, and was superseded by SRB area based funding for a further 5 years; however, there was recognition that the regeneration programme had to continue beyond that initial period. In 2002, after a decade, a report considered the original aims of the regeneration programme to be “80% realised”.251

**Community involvement:** the local residents valued the opportunities they had had to be involved in the regeneration of Hulme. They had been engaged, for instance, in the transfer of stock to the City South Housing Trust, and local residents sat on the Trust’s board. There was a feeling that at the beginning of the regeneration process, young people had not been properly involved; their engagement had increased over time.

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251 Centre for Sustainable Urban and Regional Futures, *Hulme, 10 Years On*, Executive Summary, p v
**Pride:** A key outcome of the regeneration process had been to make the residents feel proud of their area. The residents said that they no longer dreaded telling people where they lived.

**Aspiration:** The local residents felt that regeneration, as well as changing the physical environment, had to give people aspiration. It was important to show people that there were things they could strive for—in education, training and employment. In Hulme, the big local employers—ASDA and the brewery—had played an important part in this.

**Mixed communities:** There was now a mix of social, private rented and owner occupied housing. Some people were Hulme born and bred, and others had moved into the area; there was also a large student population. The residents felt this was very positive; people interacted well and there had been a lot of work to promote integration.

**Media City**

The Committee met: Barbara Spicer, Chief Executive, Salford City Council; Kevin Brady, Deputy Chief Executive Salford City Council; Chris Marsh, Lead for Skills and Work, Salford City Council; Charlotte Pritchard, Project Manager—MediaCityUK, Salford City Council; Alice Webb, Chief Operating Officer (Designate) for BBC North; Jo Waters, Head of Communications, BBC English Regions North; Paul Newman, Head of Communications, Peel Holdings.

MediaCityUK on Salford Quays is a development centred upon new facilities for the creative and digital industries, most notably the BBC and ITV. In addition to studios and offices, it will include hotels, retail and leisure space, apartments and a university campus. The development has involved £650 million investment from Peel Group.

The Committee visited the new BBC offices and studio block, and discussed the impact of the development upon regeneration. Areas of discussion included:

**Economic benefits:** There had been a commitment to maximising the economic benefits the development would bring to the wider area. This involved a focus on people as well as place; it was recognised that the ‘trickle down’ effect would not be adequate. Considerable work had been done to establish links between local communities and the opportunities available at the site.

**Jobs:** Partners had focussed on creating a series of ‘bridges’ into employment, including for people facing particular disadvantage. During the construction phase, work had taken place to support the growth of small and medium sized enterprises through supply chain linkages.

**Training:** There was a commitment to providing people with training to enable them to access high quality jobs. During the development there had been a focus on providing people from disadvantaged communities with training for the construction industry. Now, as organisations such as the BBC began to occupy the site, apprenticeships and work placement opportunities in the creative industries were being established.

**Connectivity:** Transport links between the site and the wider area were important. This included a Metrolink station, cycling facilities and a shuttle bus.
Dinner with invited guests

The Committee met: Sir Howard Bernstein, Chief Executive, Manchester City Council; Tom Bloxham MBE, Chairman, Urban Splash; John Early, Chair, Greater Manchester Business Leadership Council; Mike Emmerich, Chief Executive, Commission for the New Economy; Elaine Griffiths MBE, Project Director, Gorton Monastery; Chris Oglesby, Chief Executive, Bruntwood; Barbara Spicer, Chief Executive, Salford City Council.

The Committee met over dinner a number of people closely involved in regeneration within Greater Manchester. This afforded an opportunity for informal discussion of key issues.
Conclusions and recommendations

The Government’s approach: *Regeneration to enable growth*

1. We do not consider *Regeneration to enable growth* to be adequate as a statement of the Government’s approach: it lacks strategic coherence and does not seek to define what is meant by the term “regeneration”. It is unclear about the nature of the problem it is trying to solve and to what overall outcome the measures set out will contribute. We accept that, as part of a localist approach, there is merit in including a toolkit of options from which local authorities, businesses and community groups can draw. However, within such an approach, central government still has to play its part by setting the national policy direction. *Regeneration to enable growth* fails to do this and provides no evidence that the Government has a clear strategy for regeneration. (Paragraph 11)

Targeting those in need

2. We recommend that the Government develop and publish a strategy that recognises the deep-seated problems faced by the most disadvantaged communities, and sets out measures explicitly focussed upon tackling these issues. (Paragraph 18)

Funding and private investment

3. Unless alternative ways of funding regeneration can be found, there is a risk of momentum and investment being lost and problems being stored up for the future. (Paragraph 33)

4. We recommend that the Government develop and publish a clear and coherent strategy for how private sector investment can be attracted into areas of market failure. This strategy should, amongst other things, identify potential sources of gap funding that can be used to stimulate private investment. It should also explore how public funding flows can be aligned to ensure they lever in the maximum amount of private capital. (Paragraph 37)

Planning

5. The Government may have good reasons for its proposed reforms to the planning system, but it is not clear that they will have a significant bearing upon regeneration. We question their inclusion within *Regeneration to enable growth* and the emphasis placed upon them by the Minister. Planning has in fact brought significant benefits to regeneration, in terms of co-ordination, community involvement and town centre preservation. (Paragraph 42)

Evaluation

6. The fact that *Regeneration to enable growth* represents a new and to some extent untested approach makes evaluation particularly important; without it, there is a risk that investment could be wasted. The Minister’s assertion that individual programmes such as the New Homes Bonus will be monitored misses the point: it is
their combined impact on regeneration—tackling market failure in deprived communities—that has to be considered. We recommend that the Government identify a set of clear objectives to enable the success of its approach to be assessed at both local and national level. These should form the basis of an ongoing evaluation that looks at both quantitative and qualitative information; this should include consideration of the extent to which communities have become more self-sustaining and less reliant on public sector support. (Paragraph 46)

Stalled schemes

7. We recommend that the Government make and publish an assessment of how many regeneration schemes are currently underway and how many are stalled, compared to previous years. It should also identify what it considers to be the main obstacles to physical regeneration at the present time. (Paragraph 49)

Housing Market Renewal

8. We recommend that the Government set out a plan for a “managed wind-down” of the Housing Market Renewal programme in all pathfinder areas. In doing so, it should ensure that sufficient funds are available to eradicate the blight that has been left in many neighbourhoods. (Paragraph 58)

Knowledge and skills

9. We recommend that the Government review how regeneration knowledge and skills can be preserved and bolstered. It should consider options for sharing good practice and ensuring that there are mechanisms in place to pass on the knowledge of experienced practitioners. Actions from the review must then be implemented at the earliest opportunity. (Paragraph 61)

Learning the lessons

10. While views about the effectiveness of the competitive element varied, our evidence and what we learned on the visit suggested that City Challenge brought a number of benefits. Such benefits included:

- the requirement for private sector leverage;
- a five year programme subject to satisfactory review;
- the mixture of revenue and capital projects;
- dedicated resources committed to delivery;
- the commitment from the private sector, public sector and community involvement;
- the high level of expertise built up;
- very strong community involvement; and
• the commitment to complete regeneration, including housing, education, job creation and all quality of life improvements.

In looking to future regeneration schemes, the Government should have regard to these elements. (Paragraph 78)

11. We recommend that the Government carry out an urgent review of the various regeneration programmes that have taken place over the past and utilise the lessons learned for future programmes. In particular, we note that there is widespread support that City Challenge was a successful programme in concentrating resources on specific areas to promote wholesale regeneration. We further recommend that the Government invite local authorities and their partners to put forward innovative ideas for tackling regeneration in their areas. The most robust of these should then be designated as ‘pathfinders’ and taken forward with government support. Their success should be evaluated to determine the potential for wider implementation. (Paragraph 81)

Tax Increment Financing

12. It is important not to consider Tax Increment Financing as the answer to all regeneration problems. It relies on an increase in business rates revenue and accordingly may not be successful in some of the most deprived areas. Nevertheless, it offers the potential to raise finance for regeneration in certain circumstances, and should be available to local partners alongside other tools. We agree that the best time to implement TIF would be as the economy emerges from recession. We look forward to its introduction at the earliest opportunity and to seeing how the Government’s proposals work out in practice. (Paragraph 88)

Enterprise Zones

13. We recommend that the Government work with local partners establishing Enterprise Zones to ensure that each zone has a strategy for bringing benefits to disadvantaged communities across surrounding areas. These strategies should be informed by lessons from the earlier experience of Enterprise Zones. (Paragraph 93)

Public land

14. We recommend that DCLG issue guidance to local and national public bodies on how public land can best be used for regeneration. This guidance should include provision for an independent expert assessment of whether a particular site is viable and its potential for delivering regeneration. It should also encourage public sector organisations to be prepared to take greater risks with their land. In particular, the Government should instruct the Homes and Communities Agency to transfer land to local partners at no cost where benefits in terms of regeneration can be identified. (Paragraph 104)

15. It is also important to maximise the contribution that asset backed vehicles could make to regeneration. We recommend that the Government’s guidance make clear
that borrowing by asset backed vehicles will be considered outside of local government prudential borrowing limits. (Paragraph 105)

**European Funding**

16. We recommend that the Government set out proposals for working with local partners to identify sources of match funding, with a view to ensuring that all remaining European Regional Development Fund money is spent. (Paragraph 111)

17. We recommend that the Government disseminate to relevant bodies guidance setting out the possibilities for the use of JESSICA in regeneration. This guidance should include examples of schemes in which JESSICA is already being successfully employed. (Paragraph 112)

**‘Community-led regeneration’**

18. We recommend that the Government work with representatives of the voluntary and community sector to develop more detailed proposals for promoting the active involvement of communities and community groups in regeneration. We invite the Government to provide us, in its response to our Report, with a number of examples of "practical mechanisms" for implementing community-led regeneration, both those which are already in use and those which the Government intends to develop. These examples should address the particular concerns community groups have expressed to us about their capacity to play a greater role in regeneration, and set out how they will give such groups confidence about their future and a degree of certainty about funding. (Paragraph 118)

**Community Budgets**

19. We recommend that the second phase of the Local Government Resource Review consider how Community Budgets can be used to support regeneration. The Government should ensure that areas with a clear regeneration need are included amongst those chosen to pilot the new neighbourhood level and whole area Community Budgets. These pilots should look in part at how Community Budgets can best be used to tackle issues of deprivation and disadvantage. (Paragraph 129)

20. We recommend that the Government allow Greater Manchester to take forward its proposal for a single budget at the earliest opportunity, as one of a series of pilots exploring the pooling of capital budgets in areas such as housing, economic development and transport. These pilots should consider the potential of this pooling approach to lever in greater private sector investment. There is an onus upon local authorities as well as central government to make Community Budgets work. We therefore urge other councils and partnerships to come forward with innovative proposals which build on the Community Budgets model. The Government should ensure such proposals are given the necessary support. (Paragraph 130)
Conclusion

21. We recommend that the Government publish a national regeneration strategy that sets out a coherent approach to tackling deprivation in the country’s most disadvantaged communities. This strategy should:

- begin by defining what is meant by regeneration and by emphasising its focus on tackling market failure;
- explain clearly the action the Government will take to target resources at the communities most in need;
- provide for the “managed wind-down” of the Housing Market Renewal programme;
- set out action to mitigate the risk of a skills shortage in regeneration;
- include a plan for bringing in private sector investment, considering, amongst other things, potential sources of gap funding, the role of initiatives such as Tax Increment Financing and Enterprise Zones, and the contribution that can be made by better use of public land and European funding;
- put in place mechanisms to enable community groups to play a greater role in regeneration; and
- explore the potential of the Community Budgets initiative to facilitate a joined up approach to regeneration and to lever in additional private finance.

It is crucial that the strategy be based upon a clear understanding of lessons from previous approaches and of the factors that have contributed to successful regeneration. It must also include a clear set of objectives against which its own success can be measured. We hope that our inquiry and this report presage a more determined focus on the part of Government to tackle the deep-seated problems of market failure and deprivation which still blight too many of our communities.  
(Paragraph 137)
Formal Minutes

Wednesday 19 October 2011

Members present:

Mr Clive Betts, in the Chair

Heidi Alexander
Bob Blackman
Simon Danczuk
George Hollingbery

Mark Pawsey
Steve Rotheram
Heather Wheeler

Draft Report (Regeneration), proposed by the Chair, brought up and read.

Ordered, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 137 read and agreed to.

Annex and Summary agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report (in addition to that ordered to be reported for publishing on 29 March, 4 April, 9 May, 23 May, 20 June, 27 June, 4 July, 5 September and 12 September 2011).

[Adjourned till Monday 24 October at 4.00 pm]
Witnesses

Monday 9 May 2011

Neil McInroy, Centre for Local Economic Strategies, Katie Schmuecker, Institute for Public Policy Research North and Josh Stott, Joseph Rowntree Foundation

Michael Gahagan and Jim Coulter, Housing Market Renewal Pathfinder Chairs, David Orr, National Housing Federation and Julian Dobson, Urban Pollinators

Monday 23 May 2011

Keith Burge, Chair, Institute of Economic Development and Kieran McNamara, Chair of CEDOS, CEDOS/ADEPT

Dr Hugh Ellis, Chief Planner, Town and Country Planning Association, Paul Evans, Director, UK Regeneration and Richard Summers, President, Royal Town Planning institute

Wednesday 8 June 2011

Allan Haile, Assistant Director, Economic Development, Cumbria County Council and Tom Flanagan, Corporate Director, Environment, Planning & Economy, Cornwall Council

Sir Robin Wales, elected Mayor of Newham and Ros Dunn, Chief Executive, Thames Gateway London Partnership

Chris Murray, Director, Core Cities Group, Barra MacRuairi, Strategic Director of Regeneration and Culture, Bradford City Council and Mike Taylor, Director, Nottingham Regeneration Ltd

Monday 20 June 2011

Dennis Seal, Director, Kier Residential Regeneration, Kier Group, Ken Dytor, Chair of Regeneration Committee, British Property Federation and Chris Brown, Chief Executive, Igloo Regeneration

John Tizard, Trustee and Peter Grant, Consultant, National Association for Voluntary and Community Action and Toby Blume, Chief Executive, Urban Forum

Ros Groves, on behalf of a group of Merseyside residents and Barbara Harbinson, Chief Executive, Halifax Opportunities Trust

Monday 27 June 2011

Lord Heseltine, Chair, Independent Advisory Panel for the Regional Growth Fund
Monday 4 July 2011

Pat Ritchie, Chief Executive and Richard Hill, Deputy Chief Executive, Homes and Communities Agency

Rt Hon Grant Shapps MP, Minister of State for Housing and Local Government and Andrew Stunell MP, Parliamentary Under-Secretary of State, Department for Communities and Local Government
List of printed written evidence

British Property Federation Ev 206
Centre for Local Economic Strategies Ev 143
Chairs of the Housing Market Renewal Pathfinders Ev 111
Chief Economic Development Officers Society and Association of Directors of Environment, Economy, Planning and Transport Evs 116, 120
Department for Communities and Local Government Evs 170, 179, 233
Core Cities Group Ev 196
Cornwall Council Ev 150
Cumbria County Council Ev 129
Roselyn Groves and Local Resident Groups Ev 227
Homes and Communities Agency Ev 235
Igloo Regeneration Evs 212, 230
Institute for Public Policy Research North Ev 154
Institute of Economic Development Ev 106
Joseph Rowntree Foundation Ev 133
Leeds City Region Ev 187
London Borough of Newham Ev 138
London Thames Gateway Partnership Ev 180
National Association for Voluntary and Community Action Ev 222
National Housing Federation Ev 123
Nottingham City Council Ev 194
Royal Town Planning Institute Ev 165
Town and Country Planning Association Ev 147
UK Regeneration Evs 159, 230
Urban Forum Ev 217
Urban Pollinators Ev 101

List of additional written evidence

(published in Volume II on the Committee’s website www.parliament.uk/clgcom)

Accessible Retail Ev w165
Affordable Home Loan Network (AHLN) Ev w64
Association of Greater Manchester Authorities Evs w113, w180, w181, w182, w183, 185
Balsall Heath Forum Ev w6
Birmingham City Council Ev w129
British Council of Shopping Centres Ev w98
Building and Social Housing Foundation Ev w10
Campaign to Protect Rural England Ev w15
Care & Repair England Ev w71
Cedarwood Trust Ev w176
Centre for Comparative Housing Research, De Montfort University Ev w26
Chartered Institute of Environmental Health
City of Bradford
Chris Coffey
Construction Industry Council
Mike Davies
Devon County Council
East Riding of Yorkshire Council
East Thames Group
Edinburgh World Heritage
England's Regional Development Agencies
English Heritage
Fern Gore Residents Association
Furness Enterprise
Grant Thornton LLP
Rev David Gray
HACT Fit for Living Network
Hammerson plc
Heritage Lottery Fund
Horizon Community Development
Hull City Council
Institute of Historic Building Conservation and Historic Towns Forum
Professor Paul Lawless, Sheffield Hallam University
Lesbian & Gay Foundation
Leslie Huckfield Research
Liverpool City Region
Local Government Association
Locality
Lodge Lane Regeneration Group
London Borough of Waltham Forest
London Tenants Federation
Nigel Mellor
National Audit Office
NewcastleGateshead
Pennine Lancashire Local Authorities (PLACE)
Places for People
Pro-Housing Alliance
Radstock Action Group
The Riverside Group Ltd
Rochdale Metropolitan Borough Council
Slough YMCA
Sustainable Communities Excellence Network
Professor Peter Tyler and Colin Warnock
Urban Renewal Officers’ Group
Voluntary Sector North West
List of Reports from the Committee during the current Parliament

The reference number of the Government’s response to each Report is printed in brackets after the HC printing number.

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Oral evidence

Taken before the Communities and Local Government Committee
on Monday 9 May 2011

Members present:

Clive Betts (Chair)

Heidi Alexander
Bob Blackman
Simon Danczuk
George Hollingbery
James Morris
Mark Pawsey

Examination of Witnesses


Q1 Chair: Good afternoon and welcome to our first evidence session in our inquiry into Regeneration. Just for the sake of our records, could you identify yourselves and say which organisation you represent? Neil McInroy: I am Neil McInroy from the Centre for Local Economic Strategies. Katie Schmuecker: I am Katie Schmuecker from the Institute for Public Policy Research North. Josh Stott: I am Josh Stott from the Joseph Rowntree Foundation.

Q2 Chair: You are all welcome. The Government has issued a document about regeneration to enable growth. Do you think there is anything missing from that document that you would have liked to have seen in it if you had been responsible for writing it? Neil McInroy: To talk about the document first, I think that the proposals in the document are, from our point of view, weak and disappointing on five main counts. First, there is no strategic direction in the document as such; it is very piecemeal; it has nothing about how growth, social inclusion, work within environmental limits connect up. So, on the first count there is no strong narrative or strategic direction within it. Second, it has poor connections between strategy and delivery and I am unsure exactly what the document sets out to do. It is quite fragmented; it has nothing specific details there. I think we would agree that, if the document is meant as a strategy, it is weak; it reads rather more like a collection of Government policies and the way in which they may apply to some deprived places. We would also like to see something a little more ambitious in terms of a cross-governmental approach. Neil mentioned the links with the Work programme. That is something we absolutely endorse, in the sense that there is discussion about the central role of local authorities in terms of a more localist approach to regeneration—the role of local authorities in co-ordinating that. We are very supportive of that, but local authorities need to be adequately resourced to do that and to be able to influence other areas of local public service delivery. Absolutely essential to that is employment services in the Work programme.

Josh Stott: I would endorse much of what we have just heard. Looking at the document, there seems to be a very strong focus on a market-led approach and on places where there is the greatest potential for growth. I think that leaves us with the question of what that means for places that fall outside that, such as peripheral towns outside of our great centres of growth, which are often located in the cities. Perhaps they are places like Barnsley or Blackpool, to give just a couple of examples. What is the strategy for those places, and also for the deprived communities as well? We would like to see a lot more specific details there. I think we would agree that, if the document is meant as a strategy, it is weak; it reads rather more like a collection of Government policies and the way in which they may apply to some deprived places.

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Katie Schmuecker: We would endorse much of what we have just heard. Looking at the document, there seems to be a very strong focus on a market-led approach and on places where there is the greatest potential for growth. I think that leaves us with the question of what that means for places that fall outside that, such as peripheral towns outside of our great centres of growth, which are often located in the cities. Perhaps they are places like Barnsley or Blackpool, to give just a couple of examples. What is the strategy for those places, and also for the deprived communities as well? We would like to see a lot more specific details there. I think we would agree that, if the document is meant as a strategy, it is weak; it reads rather more like a collection of Government policies and the way in which they may apply to some deprived places.

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Josh Stott: I would endorse much of what has been said so far, particularly in terms of what Katie said about a lack of strategy for places that will not be able to benefit from the proposed growth incentives. To our mind, regeneration is about reversing decline and tackling disadvantage, not simply about promoting growth. This seems to be a major gap in the regeneration document that has been produced. There seems to be an assumption that the trickle-down effect will work and growth will benefit all. Our evidence certainly suggests contrary to that, and that a rising
tide will not lift all boats. There have been plenty of areas, even in areas of strong economic growth, where persistent deprivation is still occurring in deprived neighbourhoods, and there does not seem to be an acknowledgement or a forward strategy for dealing with these places. It seems to be about promoting personal mobility and incentivising growth, and a big part of the equation has been missed in terms of disadvantaged places.

**Q3 Chair:** You also drew attention in your evidence to the Scottish Government’s approach. It might be a bit uncomfortable for some of us to mention that, but you felt that they had had a much better shot at trying to look at these issues in the document they produced. Can you explain why you say that?

**Josh Stott:** I do not know whether people are aware of it, but it is a much fuller document; it is the beginnings of a strategy. Critically it attempts to define regeneration first and foremost, which the coalition Government’s document does not attempt to do. We are left questioning quite what it is, let alone how it is to be delivered. The document fails to outline the current challenges facing the regeneration sector, and it also fails to reference the past 15 years previously in terms of what has gone on in regeneration, and what success stories and lessons we should be learning and drawing from. It is silent on all those issues.

**Q4 Chair:** On the point of definition, do you think it is important that we have a definition? Should we be trying to distinguish between something called regeneration and something that might be called economic development?

**Neil McInroy:** I think that is very important, because there is a slipperness. I think one needs to be quite clear what one is talking about. It seems to us at the Centre, having had 25 years’ experience of working in regeneration and economic development, that there is no silver bullet here. We have tried lots of different initiatives over the years. We have thrown money at the issue; we have established partnerships on the issue, but the lessons from all those past activities and from abroad tell us that there are perhaps a couple of abiding things that mean you can regenerate places and make them successful and resilient in perpetuity. Those two things are: the connectivity between commercial, public and social activity within any given place. We, at the Centre, believe that it is the connectivity and relationships between those three elements that is fundamentally important. If you have a weakness in one of those particular elements, or there is not a good connection between those elements, then a place is more likely to go into decline. So, the thing that we focus on is the relationships between those three elements in any given locality.

The second thing is that we need to have greater emphasis on the assets and capital within those places: financial, human, social, environmental and production capital, particularly around manufacturing.

Those two elements of a place-based blend of social, commercial and the public and the focus on assets are how you can regenerate places. It has been proven in this country and elsewhere. One needs to have a focus on those things as a starting point for regeneration.

**Katie Schmuecker:** Regeneration is about the intersection between the social, economic and physical. One of the promising things about this approach is the localist approach that is endorsed, as much as we can tell what it is so far. But what is important about that is, as Neil says, context really does matter. Quite what blend of those three elements is required will vary from place to place; how ready a community is to be engaged in regeneration will vary from place to place. Our research certainly shows that it is not as simple as deprived neighbourhoods not having the capacity to engage with regeneration, whereas slightly better off neighbourhoods do. It is not that straightforward. There are some very deprived neighbourhoods that have excellent examples of community-led regeneration, and the reverse is also true. The definition of regeneration is important because it helps people come together around an understood idea of what it is they are trying to achieve. The other thing I would say about regeneration is that we should regard it as a process and not an event. That is something we tend to say about devolution quite often; you mentioned Scotland before. But in terms of regeneration, too often we have looked at it as an event: it has been a project, a pot of money that is there to be spent, rather than an ongoing build up of relationships within an area to deliver on a vision for a place in partnership between the different players that Neil mentioned. It is that ongoing and sustained element of regeneration that is vital for it to be successful.

**Josh Stott:** Picking up on some of those points, I think the key reason the definition of regeneration is important is that it means different things to different people. A community worker in Bradford will have a very different view from a property developer in Newham, so trying to define and have a common understanding of regeneration and its different elements is really important. Historically there has been a great disconnect across the different elements and strands of regeneration, its different governance arrangements, different spatial levels and between economic, social and physical investment and interventions. We are all saying the need is for those three elements to come together and join up. Without a common understanding and strategy, that will never happen.

To pick up the point as to whether regeneration is distinct or should be seen as distinct from economic development, our strong view is that it should. Economic development is obviously crucial and is the name of the game at the moment, but for us regeneration starts in areas of decline and in priority disadvantaged areas; it is about reversing that decline and stabilising economies. At that point you can build the foundations for future growth. For me this what distinguishes regeneration from economic development. It is about targeting deprived and disadvantaged areas.

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3 The Scottish Government’s regeneration discussion paper can be found at www.scotland.gov.uk/Publications/2011/02/07095554/0
Q5 James Morris: Perhaps I may probe a little more the lessons that we can learn from the past. All of you have talked about regeneration playing a role within deprived communities, but if you looked at the evidence over the last 15 to 20 years, a lot of the indicators of deprivation in many of our most deprived communities in, say, Greater Manchester or areas of the Black Country that I represent have stayed broadly the same; in fact they may have got slightly worse. Why do you think that is? Why have previous schemes failed to get underneath some of those underlying issues of deprivation?

Katie Schmuecker: Unfortunately, there is no straightforward answer to that. If there was, we would have sorted this out years ago. Deprivation is by its very nature complex. As I was talking about applied to a particular area and it did not have the impact that was hoped for. Are there some examples we can focus on where previous regeneration schemes have failed?

Neil McInroy: I think I will cover your question, James. To start off very briefly, it is quite clear why regeneration has failed in the past. I think it is fairly obvious. We have here, money being thrown at a problem without due understanding of the connectivity and relationships that take place in any given locality. It seems to us that what needs to take place is that, when money is thrown at an issue, there is a clear headed network and connectivity and galvanised vision of how that place should turn around. Money has been thrown at physical initiatives or community regeneration initiatives without a proper connectivity between all the elements within a place. If you look at the regeneration that has been successful, you will find there is a good community buy-in; there is a public sector intervening and creating a co-ordinating role; and there is a private sector that understands the issues in that locality and offers supports in different ways for the success of that location.

To move on to where there have been good things happening in previous schemes, there needs to be co-ordination of spatial scales. The worry is that we have got rid of the Regional Development Agencies (RDAs)—we now have Local Enterprise Partnerships (LEPs)—and there could be a lack of co-ordination in any given locality because of the absence of the RDAs and at the same time a weakening of the approach. Some people say local strategic partnerships were a bureaucratic process-driven thing, but they did provide that key co-ordinating role within any given locality.

Q7 James Morris: I just want to get underneath this. Are you both saying that one of the failures of previous regeneration schemes was a lack of understanding of the dynamics of particular locations and communities, and an assumption that if you applied money at a certain scale it would necessarily lead to regeneration? If you take Hulme in Manchester as an example, which we discussed, it was a success but only because it was very much community-based, but it was very local in terms of the way it understood the dynamics of that particular part of Manchester. Is that what historical failure was about—lack of understanding of local community dynamics and an assumption that if you throw money from the centre, that would solve the problem?

Neil McInroy: I think that is one of the reasons why it would go wrong. When it goes right there is an understanding of community-demand dynamics. I also think that, if you are talking of environmental or economic regeneration or cultural regeneration, one needs equally to understand the dynamics relating to those particular aspects for it to be a success. That requires a much deeper, voracious awareness of the dynamics in any given locality.

Katie Schmuecker: To add to that, on the point of community dynamics, certainly failing to understand those linkages between neighbourhood and the wider labour market in particular explains some of the regeneration failures in the past. Some of our research looked at the area of Speke in Liverpool, which is one of the most deprived neighbourhoods in the country. The amount of economic development that has gone on around Speke is enormous, yet the area itself has not improved economically to the extent you might expect it to have done. Clearly, there are some social elements to regeneration that need to be addressed in that example.

However, there is a danger of the pendulum swinging too far the other way if we are not careful. If you look at New Deal for Communities, for example, the evaluation of that, which was extremely community-led in its approach, suggests that too often neighbourhood representatives did not have an excellent grasp of the issues facing their area, and sometimes professionals were not robust enough in challenging the anecdotal evidence and assumptions of those communities. I think that helps to explain one of the reasons why perhaps the New Deal for Communities did not deliver quite as much as we might have hoped it would have done.

Josh Stott: Where Katie started is that there are not any magic bullets here, and the outcomes of our research into area- and place-based regeneration initiatives are very mixed. So, I am not sitting here saying that we have the answers, but the critical thing...
is that we do not give up on these places. Just because a previous policy has not worked does not mean we should not develop alternative policies in order to try to deal with them. There is a big question about the long-term costs of doing this.

Q8 James Morris: I certainly was not suggesting that we should give up on deprived communities. 

Josh Stott: Sorry. I was not suggesting you were.

Q9 Heidi Alexander: To follow up the question of learning from past programmes and initiatives, in the Government’s three-and-a-half pages of text that introduce their *Regeneration to Enable Growth* document, one of the things they put past failure down to is barriers that thwart local ambition and limit agencies’ room to manoeuvre. There is a suggestion there that perhaps different elements of bureaucracy and the planning system may have got in the way of regeneration in the past. Do you agree with the Government in that?

Neil McInroy: To an extent, yes, in that they did become a bureaucracy and became process driven. There was a managerialism about all the processes that were a burden. To move forward, however, one cannot get rid of planning, local Government and interventionist policy. One needs to have those but of a different type. I think the new direction for regeneration needs to learn from that bureaucratic machine that became regeneration and be lighter on its feet, be smarter and more bespoke and deeper at certain points where it needs to be. I think that does require a more localist perspective. It seems to us at CLES that regeneration is one of those things with which you need to be very careful about when you want to intervene. Then you need to be careful about how deep you intervene; you need to know how long you hang around for and then you need to know how to get out. I think in the past all those four elements were not understood very well. We need to do all those four elements but in much smarter ways, and effective local Government, effective localism, should give an advantage for that to occur.

Josh Stott: Just to pick up the point in terms of there being barriers, I think that sometimes people perceive barriers, and it comes back to the idea that regeneration needs to be integrated, because we are talking about different sectors with different languages, skills sets and objectives operating at different spatial levels. It is incredibly complex. Inevitably, there will be barriers. It is the ability to be able to bridge those different levels and areas of interest that regeneration is all about. Without the right resource and capacity, it cannot happen.

Katie Schmuecker: From our research, one of the barriers that has been an issue in the past is the attitude of other Government agencies and Departments, which play a critical but sometimes not a central role in regeneration. I am thinking particularly of issues to do with skills, welfare to work and transport. Pushing forward the Government’s localist agenda across Whitehall would be one issue I would like to see raised as one of the potential barriers.

Q10 Simon Danczuk: One of the key words that I think all of our witnesses have used so far is the need to co-ordinate activity within regeneration. There is a change of attitude from the Government, which is that the public sector is not going to do everything. The impression you have given me is that previously the public sector did everything, and the co-ordination was between the series of public-sector agencies. Now the private sector is coming in and the vehicle for that is local enterprise partnerships, where we have much smaller and more manageable units that are working with public sector and private sector people at a more local level than previously. To what extent do you think the LEPs will be able to pull things together to provide that more joined-up approach?

Josh Stott: It is very early days and time will tell. They have no statutory powers or funding. I think they are a very important voice for business, a voice that perhaps has been missing previously. Obviously, operating at the functional economic area is the correct area in which to operate. Our concern is in terms of their remit. It is about growth and economics; it does not cover the social and environmental parts of regeneration we have been talking about, and there is no explicit remit to target deprived areas and concentrations of deprivation.

Q11 Simon Danczuk: You do not subscribe in any way to the trickle-down theory, that if we can build economic growth, the more deprived areas will benefit. You are saying that will not happen?

Josh Stott: I certainly do not subscribe to it in full. There are persistent areas of deprivation and concentrations of worklessness, within affluent towns and cities enjoying economic growth. Unless you connect individuals to the labour market effectively, the more deprived areas will not benefit. The LEPs do not have a remit to tackle deprivation, if it is not high on their agenda, then it is unlikely that it will happen.

Katie Schmuecker: I would entirely endorse that. I would also slightly challenge what is behind your question. I certainly would not want to give you the impression that we thought regeneration in the past had been all about the public sector. It has not; it has been about a partnership between the public sector and the private sector and the voluntary and community sector, or at least it certainly works well if that has been the case. I think that potentially LEPs have a vital co-ordination role. Having said that, it is actually the role of local authorities within LEPs that is very important here, because local authorities have roots in the neighbourhoods we might be talking about in terms of places that require regeneration, but they also have a presence on the LEP boards. Local authorities are potentially the fulcrum of this task of co-ordinating and linking between the neighbourhood and the wider functional economic area.

Q12 Simon Danczuk: But the LEP itself cannot do that; you still need the local authority in your view to be the driver of change here?
Katie Schmuecker: The local authority plays a fundamental part on the LEP of course, and I think part of that role should be to drive that change, yes.

Neil McInroy: The key thing here is stewardship of place. At CLES we are easy about who does that stewarding role, but it needs to be strategic, voracious and powerful to do that. My feeling of the LEPs when they first came out was, “Fantastic; here we go. We have got a turbo-charged chamber of commerce sitting in any given locality that will drive economic success as you see in a Japanese, German or US model.” They have since become a bit more of a partnership, a kind of local strategic partnership, with a focus on the economic. They are on a moving journey clearly, but the danger is that they are even more remote because they have a narrow focus around business and are business-led. They could be even more remote from what the locality requires in terms of all that other stuff and all the connection between the economic success and community activity and so on.

I think that LEPs need to move forward quickly, and they already are, and start to receive powers through the decentralisation process from Whitehall. I think they need to draw down powers from Whitehall and not necessarily suck power away from local Government. I think that working with local Government you should be able to draw down powers from the centre, and we need to do that speedily, particularly in those areas that need regeneration. Areas like Oldham, for instance, did not do very well even in the good times, so the trickle down did not work even in the really good times. One needs to move very fast in these difficult times. LEPs need to get those powers and co-ordinate and be strategic; they need to steward a place in a broader palette of activities than was initially proposed for them.

Q13 Simon Danczuk: Let’s assume they get those powers. Are they going to be able to drive regeneration forward without substantial amounts of public money? I was interested in one of your earlier remarks. You said that in the past we had thrown money at this problem without necessarily solving it. There will certainly be less money available this time round. Does that mean regeneration cannot be successful in your view?

Neil McInroy: I think regeneration can be successful with less money. I believe it is about the connections between different facets within places I outlined earlier. If you did get better co-ordination between the commercial activity, including greater levels of giving and philanthropy within that sector, and had an enabling, entrepreneurial, innovative council and you had a respect for and tried to harness the social and human capital in those places, and made great heady connection between all those three, that does not necessarily mean lots and lots of money. If you look at regeneration success round the world, you will find there is great regeneration done without lots of public money being thrown at it, but what it does need is a strong stewardship of place, be it from the local authority or from a LEP that has the power and some resources to act as a steward effectively.

Katie Schmuecker: As to less public money being available, I think that is simply a reality that has to be accepted. The question becomes: what do you do with the smaller pot of money that is available? I think we would ask is: on what should that be targeted? The Government’s approach it appears is to target that money on those places with the greatest potential for growth. To our mind that leads to the question: what of those places that do not demonstrate such great potential for growth? What is the policy and strategy for those places?

Q14 Heidi Alexander: I am interested in you, Neil, talking about the stewardship of place and saying that is absolutely essential. I think that all three of you in your written evidence referred to concerns about capacity within the regeneration sector—skills, expertise, knowledge and experience—and what is happening currently given the Government’s approach. Can you say something about what evidence you see out there of those skills and that expertise being lost at the moment?

Neil McInroy: We are in quite a worrying place in many localities because LEPs and other activities have not managed to pick up the slack swiftly enough, so what you have is a hollowing out of streetwardens, regeneration officers or economic development people. All that industry has been hollowed out. What you have is a deficit there, and also in terms of connecting up services at a local level. That is why there is an urgency both to move quickly with LEPs and also to move quickly in terms of supporting the social and human capital in communities themselves. At present we have, of course, the big society and this re-energisation of civil society. That is not making a connection with regeneration at this point in time, and clearly it needs to. I would argue that LEPs particularly need to engage with the re-energisation of the civil society to ensure that some of the activity that took place in the public sector has a chance of growing more within the social sector.

Josh Stott: I will not point to specific examples, but as the cuts kick in there are increasing skills gaps in planning, housing and economic development and regeneration across local authorities. It will be the areas that face the most severe challenges or most complex problems that will be most stretched. It is not simply about throwing money at it, but if you do not have the resource and the capacity, as we have said previously, those areas that face the most severe challenges will spiral into decline essentially.

Q15 Heidi Alexander: What do you think the Government should be doing now to ensure that those skills and expertise are not lost and are maintained? Do you think it could be doing anything now? Neil has talked about making sure the LEPs come forward a bit more quickly.

Josh Stott: The LEPs seem to be the only show in town at the moment, and it is what everybody in the regeneration and economic development sector talks about. It is all about the LEPs now. It is such early days. Ievitably, there are places that have got well-established partnerships—Leeds city region, Manchester city region—and places that have got...
strong and established business voices that are connected into the public sphere which will be able to form LEPs, but the coverage is not widespread at the moment, so there are areas that have not even got LEPs in their infancy at the moment, let alone a strong LEP. In terms of what the Government could do, I guess a starting point would be the regeneration document that we are discussing today, which, as you refer to, is three or four pages of text supported by some appendix tables. So, in terms of the message that sends out and providing answers to some of the questions that we are raising, it seems to fall a long way short.

Neil McInroy: It strikes me that the Government need to get more spatially and socially aware; they need to recognise that not every locality will be able to build the new civil society in similar ways. If you are strapped for time and money, with lots of pressures of life—as some localities face more than others—you are unlikely to be able to build the big civil society more than other localities. It needs to be spatially and socially aware. In that, you would hope it could focus or at least relax some of the pressures, particularly in localities that are actually the localities that would need an awareness of the social and spatial ramifications of the cuts to a much greater degree. In particular the RDA assets are something that could be utilised, in how they are divested or disposed, in a more creative way locally to assist regeneration, and also making it a statutory duty for regeneration or local economic development would help in putting emphasis on regeneration and economic development in certain localities.

Katie Schmuecker: To pick up on that, those local authorities that have seen the deepest cuts to their budgets are struggling to implement those, and some of those places are arguably often those that most need economic development and regeneration. Functions outside the statutory core of what local government has to do inevitably come under greater pressure. Certainly, the Institute for Economic Development has found from a survey of its members that jobs are going, and in some cases entire economic development regeneration departments within councils are going, so clearly there is an issue of capacity here. It is not just the public sector but the private sector to some degree. A lot of the private sector companies that are engaged in regeneration were extremely hard hit as a result of the credit crunch and recession.

Katie Schmuecker: You have touched on the role of people there. One of the big debates within regeneration is about whether or not it is fundamentally about supporting deprived individuals or about places and geographic areas. Our research tells us that it is fundamentally about both. You cannot look at one without looking at the other. Certainly, if you focus only on individual mobility, clearly that can have some very positive effects for the individuals concerned. We certainly would not want to suppress that. Do not misunderstand me. This is not a counsel against supporting individual mobility, but what you have to do alongside that is develop places as well because, if people do not have a positive reason to stay within a deprived neighbourhood, if their circumstances change, they will move out. The result of that can be a spiralling decline of a place as the physical fabric of the area declines; it is a less appealing place to live; crime goes up; the reputation is tarnished, and the result is that it becomes an area of last resort. We have seen that sort of vicious spiral of decline in the past. It was seen in the 1980s and early 1990s; it was a big problem in a lot of our communities. A lot of work has been done. A lot of the regeneration that has taken place has stalled and in some places reversed that spiral of decline. We need to be extremely careful that we do not re-enter something like that. That is why, in our view, while individual mobility and supporting people to improve their personal circumstances is extremely important, improving places has to go hand in hand with that.

Q16 George Hollingbery: I am a self-confessed ingénue; I know nothing about regeneration at all. To be quite straight with you, I come from a privileged part of the country and it is not something I have experienced. I find myself continually confused by what I am hearing. I do not really find myself illuminated today about what regeneration really is and what is standing in its way. I am surprised not to hear you talking so much about individuals and inspirational individuals and people driving the process forward themselves. To come back to Heidi’s question, which is about capacity and so on, has the capacity been in place to negotiate the structures and get round the complexities of the work programme as it will be, or the planning process as was? Is that what the structures are there to do—to allow people to negotiate the extraordinary road blocks that stand in their way to helping themselves—or is there a real need to create the social capital that does not exist in a lot of these places, and help people over the hump so they can help themselves?

Neil McInroy: Earlier I alluded to the fact that the structures have been too cumbersome and, and if you like, cowed or suppressed some of that individual talent and energy to get on and do things in a community within any given place. Clearly, the Government is going in the right direction when it seeks to get rid of some of that bureaucracy and heavy-handedness. However, an individual’s role needs to be supported in some localities by particular ways of working and policy interventions. I think that a greater awareness of that in certain localities needs to be recognised, and there needs to be heavier and perhaps more deeper intervention in some localities compared with others. I think that is what I am broadly saying.

Katie Schmuecker: You have touched on the role of people there. One of the big debates within regeneration is about whether or not it is fundamentally about supporting deprived individuals or about places and geographic areas. Our research tells us that it is fundamentally about both. You cannot look at one without looking at the other. Certainly, if you focus only on individual mobility, clearly that can have some very positive effects for the individuals concerned. We certainly would not want to suppress that. Do not misunderstand me. This is not a counsel against supporting individual mobility, but what you have to do alongside that is develop places as well because, if people do not have a positive reason to stay within a deprived neighbourhood, if their circumstances change, they will move out. The result of that can be a spiralling decline of a place as the physical fabric of the area declines; it is a less appealing place to live; crime goes up; the reputation is tarnished, and the result is that it becomes an area of last resort. We have seen that sort of vicious spiral of decline in the past. It was seen in the 1980s and early 1990s; it was a big problem in a lot of our communities. A lot of work has been done. A lot of the regeneration that has taken place has stalled and in some places reversed that spiral of decline. We need to be extremely careful that we do not re-enter something like that. That is why, in our view, while individual mobility and supporting people to improve their personal circumstances is extremely important, improving places has to go hand in hand with that.
least skilled people concentrated in severely failing areas. **Katie Schmuecker:*** There is an issue of sustainability for those places that are the most economically prosperous and growing. If our approach is simply to support individual mobility out of lagging places and encourage them to move to places that are growing, the consequence of that would be severe strain on the sustainability of some places. It seems to me a better approach for the UK as a whole is for us to support places to achieve their potential.

Q17 Mark Pawsey: Both Katie and Josh used the expression “spiral into decline”. You explained it a little, but, Josh, how would we recognise a place that is spiralling into decline? Would that be happening simply because of the lack of a regeneration policy? **Josh Stott:** It is difficult to say this is simply due to a lack of regeneration policy. There will be lots of complex factors that will influence a spiral of decline. A simple way of understanding when you have a spiral of decline would be to look at population change and the proportion of out-of-work benefit claimants in an area. If that is increasing over time, you will see, as I have talked about, there is this residualisation and concentration of deprivation in an area.

Q18 Bob Blackman: The proposition, obviously, is that the Government are taking the view that the resources available for regeneration will be reduced. Therefore, if you read the document, they are saying their approach is to concentrate on fewer targeted areas rather than a broad swath of things to allow local regeneration to take place. That is one way of paraphrasing the Government’s approach. What do you think will be the effect on the areas that have the targeted investment? Do you think that will work? **Neil McInroy:** The key thing about the targeted investment is to understand how that money or input connects up within any given locality. In that, if money is given through the public sector, for instance, you would look to have a greater understanding of public sector spend in terms of supply chains and all those local economic multiplier activity effects. One needs to look at procurement, particularly public-sector procurement, to understand what benefits can be extracted through that process in any given locality. You also need to look at social return on investment and different ways of measuring the inputs to any given locality. The local area needs to be much more clever or smart at understanding the ripple effects of any given investment, and needs to be much more voracious in trying to look at where that spend goes, what the social return on that spend would be, how it builds up capacity and resilience for it not to decline in the future.

Q19 Bob Blackman: Is it your view that there should be specific objectives associated with any targeted investment—that is, this is what you have to achieve to get this money? **Neil McInroy:** Clearly, there needs to be that, so clear outcomes.

Q20 Bob Blackman: At the moment in the document, as I read it, it is a bit vague and open, which leads to the belief that you could succeed without really knowing about it or fail without understanding that you have. **Neil McInroy:** There definitely need to be outcomes that relate to the document, but not just outcomes in terms of a number who entered work or whatever. It needs also to relate to process outcomes in terms of how that money and those resources will be utilised, and an understanding of its ripple effect at any given locality.

Q21 Bob Blackman: What is your view of the new homes bonus in encouraging regeneration? **Katie Schmuecker:** It is not clear that it provides a huge incentive to many local authorities. What will be interesting is the way in which the new homes bonus intersects with the new neighbourhood planning powers. That is an interesting question to look at. In broader terms, we have a couple of concerns about the new homes bonus. One is the potential for it to act as a disincentive to physical regeneration where that means housing demolition, if it is based on net additions. The result of that may well be that building on greenfield sites becomes more appealing. There are some big questions there about thinking about what sort of development and regeneration we might want to see in places, and some of those issues around targeting areas of greatest deprivation and also issues of sustainability.

The other concern is that the new homes bonus will favour those parts of the country where the market is stronger and there is a much greater market demand to build more houses. That is less likely to benefit some of the sorts of places that we are talking about when we talk about regeneration. Finally, the prospect of top-slicing the formula grant to pay the new homes bonus could be interpreted as a reverse redistribution, so instead of being from wealthier authorities to authorities with a lower resource base, as formula grant currently operates, we could see money flowing in the opposite direction if—I say “if”—it is wealthier authorities that benefit disproportionately from the new homes bonus.

Q22 Bob Blackman: You specifically said in your evidence to us that the Government’s approach was likely to contribute towards long-term decline of many deprived areas. What evidence do you have that this approach will lead to that, or is it just your presumption? **Josh Stott:** I said earlier, hands up, Joseph Rowntree Foundation (JRF) are not suggesting we have got the answers to regeneration, and indeed all of our evidence has got mixed outcomes in terms of the assessment of area-based initiatives. The point that was really emphasised in the submission was that the Government’s proposals are about promoting and incentivising growth. I do not have a problem with that. The problem is about the areas that will not grow. Our concern is that you have areas that are in decline and have the weakest housing markets, where the new homes bonus will not act as an incentive because...
without public subsidy to begin with, the houses will not be built. The key issue is around connecting people in deprived areas to jobs.

**Q23 Bob Blackman:** Is not the evidence there that people in deprived areas that get jobs move, because they are more economically mobile and therefore choose to take a step up rather than staying put?

**Josh Stott:** Inevitably, some people do that, but the danger is that you end up with high concentrations of out-of-work deprived people. If you just focus on backing growth and winners, there will be losers and, wrapped up in that, severe social costs and costs to the Exchequer.

**Q24 Bob Blackman:** The problem is that, if you look across areas of London that I know very well, the same thing will be true. Millions of pounds have been thrust into them through regeneration schemes; the claimant counts have hardly varied.

**Josh Stott:** I think we all agree that what has gone before has not necessarily worked. I do not think anyone promotes a continuation of the policies of the past. I think what we are very much emphasising is that there needs to be a better connection between the neighbourhood level and the functional economic area level. There is a disconnect there.

**Q25 Bob Blackman:** There is a disconnect. Perhaps I may ask all of you what you think should be done to arrest the decline.

**Katie Schmuecker:** To arrest the decline of?

**Q26 Bob Blackman:** These particular areas. Clearly, there will be a position whereby, if you have targeted investment, other areas that are not targeted will not get investment, and potentially there will be a disconnect.

**Katie Schmuecker:** I think the question is: who and how do you target? Currently, that is not very clear in the Government’s approach. The Government’s approach appears to be to target growth. As I have said once or twice already, that leads to the question in our minds: what happens to those places that fall outside of that, often places that are lagging and, if anything, are potentially going backwards? I think the question is: what is the additional effect that public money can bring? In the context of very limited public resources, does it make sense to spend that limited resource in places where growth would happen anyway because it is a growing area? We would argue that perhaps the priority should be to focus public money on where there is market failure to address those failures.

**Q27 Bob Blackman:** Just to take that example, Government would argue that it is going to implement high-speed rail, and therefore there will be regeneration and growth in all the areas where there will be stations that have high-speed rail. The Government invests and the private sector invests around it. That is a “creation” approach.

**Katie Schmuecker:** You raise an interesting point. If you look at the targeted investments listed within the document—Crossrail, high-speed rail, the Olympics—there is a very heavy greater south-east bias listed in those particular programmes that they have decided to highlight. We have to look at how this supports the Government’s wider objective of rebalancing the economy. I mean that in spatial terms. The Government has talked about rebalancing the economy away from an over-reliance on the greater south-east, but if you begin to look at how the detail of some of these policies is likely to stack up in practice, you get a picture of continuing over-reliance on the greater south-east of England and also a focus on those areas where growth is more likely to happen anyway. I think that is an issue.

**Neil McInroy:** CLES undertook some work—this is a shameless plug, by the way—in eight economic areas in 16 local authorities around the UK, including affluent and not so affluent places. The work was a diagnostic; it worked out how those places operated and the effectiveness of the connection between the commercial, social and the public in those localities. We found that, in those areas where there was a good connection between those strengths, there was more likely to be effective use of investment and more effective regeneration schemes than in the past. We found that the conditions in those localities were perhaps more ripe to benefit from any ongoing investment. I would say to the Government—a shameless plug—that they should look at doing a diagnostic of localities and become spatially and socially aware, and not focus on the traditional deprivation indicators as much. They should focus on the relationships, networks and connectivity between the various elements in those places.

**Q28 Chair:** So, you will just abandon those areas that do not have that in place, because the money is not being put in?

**Neil McInroy:** If you have to have prioritisation in terms where regeneration money should go, clearly you need to set criteria where it goes and where you focus your activities. What I am saying is that there is more likelihood in those areas where there is a bigger bang for the buck, if you like—where there are better connections, relationships and networks—then you may wish to focus on those; or, if you do need to focus on those that are particularly deprived, one seeks to put in place interventions that build up the networks and connections in those places.

**Q29 George Hollingbery:** Neil, I think your organisation is very clear that Tax Increment Funding (TIFs) and enterprise zones are something you favour. Can you say why?

**Neil McInroy:** We favour TIFs. We favour any mechanism that allows a greater level of autonomy and control over the economic destination of place, and thus enterprise zones allow more local powers over breaks in tax and those sorts of things. Again, TIF allows a different mechanism for those benefits to be accrued by appreciation of land value to be harnessed by that locality. So, we are supportive of them on that basis.

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They are, however, in our view limited. TIF is predicated on levels of land appreciation and some areas may not have that. The enterprise zones can have perverse effects in a given locality. What happens when you stop the period of tax breaks? They do not come without their flaws, but certainly they are welcome. I would advocate a whole suite of other types of local economic instruments to be placed at a local level.

Q30 George Hollingbery: Others have given us evidence that enterprise zones particularly can attract all the investment in a particular area and then abandon the harder-to-reach areas. Is that a reasonable view?

Neil McInroy: Very much so. It is like the earlier response I gave. It is about when you put in place these mechanisms, how long you allow them to last and then how you decant and over what period. Those are very careful calibrations. I believe that in the 1980s they were deployed in a clunky way rather than a very bespoke and adroit way. That was part of the problem then. I hope that this time they are much more careful, selective and lighter on their feet in terms of when and how and how deep they do things.

Q31 George Hollingbery: On enterprise zones, are there any particular lessons from the 1980s we should look at?

Katie Schmuecker: On enterprise zones, we have concerns, because certainly our evidence from using them in the past is that they are much better at attracting employers from the surrounding area to relocate than they are at creating new employment opportunities. That is our big concern with enterprise zones. If that can be overcome, great, but I have not yet seen any convincing means of doing that.

Q32 George Hollingbery: A little earlier I was asking about that block to innovation and regeneration. What more could enterprise zones do? What could the zone do that would really help regeneration?

Katie Schmuecker: One potential thing would be for an enterprise zone perhaps to come with other supporting services to support growing businesses and perhaps be specifically targeted on a growing business rather than any business to relocate, and perhaps having some rules around who can move into the area. One slightly disappointing thing about the enterprise zones, as I understand it, is that there is an expectation that they will be around about 100 hectares, which is a relatively small area. I think that, if they were larger, it might help to overcome some of these issues about displacement.

Q33 George Hollingbery: Is there anything you would do about less rules?

Katie Schmuecker: Specifically relating to enterprise zones?

Q34 George Hollingbery: Yes. What would be taken away to make those jobs and lives easier to regenerate an area?

Katie Schmuecker: Specifically in relation to an enterprise zone?

Q35 George Hollingbery: Let’s not worry so much about enterprise zones as specific measures the Government would take in a certain geographic area to make things easier.

Neil McInroy: Growth and enterprise come in many guises. Clearly, there are things that you may wish to remove to stimulate a whole sea of different creativity and energies. Clearly, you could have temporary relaxation of a whole range of legislation that is forced upon any given place. If that is determined locally, and done on the understanding that it is being relaxed for a certain period, clearly you could have a look at a whole sea of legislation pertaining to any given locality. That would be welcome. It would be a free space, an innovative space, a free zone. Let’s explore that. Of course, there are powers you would not want to overstep, in terms of health and safety and other elements, but you could relax some elements I think within a period of time, at least to animate in any given locality.

Q36 George Hollingbery: Do you have any thoughts on land auctions?

Josh Stott: It is not an area that JRF have researched in great detail.

Q37 George Hollingbery: What about the other areas we were just talking about?

Josh Stott: Katie has picked up the key point I would raise in terms of the displacement effect. Essentially, you are moving jobs around an area rather than creating new jobs. As I say, land auctions is not an area about which I know a great deal, but there could be a danger that they promote development in unsustainable locations as these sites may generate the biggest receipts.

Q38 Simon Danczuk: In terms of the Government’s document, you have used very polite and sophisticated language to describe your thoughts. Like you, I have read many hundreds of Government documents of various kinds. I have to say that I find this a more unusual one in terms of its content and what it does and does not include. In all seriousness, using tabloid language, in a few words how would you describe this document?

Neil McInroy: I think I go back to the very first question: there is no narrative, no connections, bits missing and nothing on assets, physical focus. If one of our junior members of staff had written this after two weeks, I would be disappointed.

Katie Schmuecker: I think we can safely say it is not a strategy. My question would be: is this implicitly suggesting some kind of sink or swim approach for places? Lots of opportunities are outlined in this document, many of which we would welcome. Some of which, though, are for areas that do not currently have the capacity—I am aware that I am moving away from “tabloid”.

Q39 George Hollingbery: Let’s narrow the focus. If we were to talk about enterprise zones, the reason of the zones is to attract employers from the surrounding area to relocate into these areas. Do you think that the Government has done enough when it comes to the promotion of enterprise zones?
Q39 Simon Danczuk: We were going to point that out to you. You won’t get a job with the Sun, that is for sure. Go on, Josh. What is your response?

Josh Stott: I think the three words I would use are: thin, weak and disappointing. There is a failure to recognise the importance of place and the complex challenges faced by the most disadvantaged communities.

Q40 Chair: On that point, thank you all very much for your evidence.

Examination of Witnesses


Q41 Chair: Thank you very much for joining us. For the sake of our records could you indicate who you are and the organisation you represent?

David Orr: David Orr, Chief Executive of the National Housing Federation.

Julian Dobson: Julian Dobson, Urban Pollinators, an organisation for sharing learning about regeneration.

Michael Gahagan: Mike Gahagan, I represent the HMR Chairs; I was Chair of South Yorkshire.

Jim Coulter: Jim Coulter, I was Chair of Bridging NewcastleGateshead until we closed a month ago.

Q42 Chair: If you do agree with what has been said before you don’t have to go into great lengths to explain why. How effective did you think proposal in the Government’s document, Regeneration to Enable Growth, will actually be? Do you see that there are risks attached to the approach? Certainly some of you have read the Scottish Government’s approach and have a better view of that. Perhaps you could also say why, while you are summarising the points.

Julian Dobson: I am not sure that you could say that the Government’s document is an approach; it does not have any clarity about it. As Neil said, it lacks a narrative. It is not clear what regeneration is or why regeneration is needed. It is not clear how regeneration is to be attained, so it is really difficult to know where to start with it. I think the Scottish Government document, while I would say it is far from perfect, does at least make a pretty good stab at saying what regeneration is, why it is needed and what we are trying to do with it. If anyone from CLG is present, it would be a very good place for them to get back and start.

David Orr: I start slightly earlier. The Comprehensive Spending Review is the Government’s statement of where it intends to invest money over a four-year period. I think the Report of the Comprehensive Spending Review runs to 104 pages, and the word “regeneration” does not appear in it anywhere. I think that is quite a telling indicator of the starting point for Government consideration of regeneration. I think the documents that we have seen are a post hoc attempt to say, “Measures that we are putting in place elsewhere for different reasons might themselves make some contribution to regeneration,” but I think that is rather a heroic assumption at present. If regeneration and the whole growth agenda are about ensuring that places work effectively—not just about those places that are economically viable at present, but those that are not and need to be in the future—I really don’t think that there is a strategic approach to addressing the economic failure, and some of the related housing market and other failures, in some of those areas.

Michael Gahagan: I think it is fair to acknowledge there are good some points in the document that have not come out: some of the issues around decentralisation; some of the policy elements; the RDAs’ assets going to the HCA; ending some of the ring fences. All of those are very valuable and contribute. But as our evidence said, that is more than offset by the absence of resources that there now is, and the lack of coherence in the document. I have an additional sadness about the document, which is it does not make the most of what we have, and I would not have given the same answer to Mr Morris’s question, for example. We have a pretty good track record. I was President of the International Urban Development Association, so I have looked at regeneration around the world. None of those are ideal, all of them have faults. We are better at it than most. We have got a lot of the structures and skills in place in the public and the private sector, and in a lot of communities, and we need to build on that. And that was not recognised in this document. It is almost as if we are starting afresh, whereas we are not bad at it actually.

Jim Coulter: I won’t repeat everything everybody else has said on the basis of your invitation, but I can’t resist saying in the context of Mike’s last comment that the year zero approach, which elements of the language in this document seem to represent, is a very poor account of what CLG as a department has achieved over the years, and it ought to have reflected rather more on what past strategies have been successful and unsuccessful at in order to get a better handle on a strategic framework that can have objectives set for it and outcomes established and, underneath that, measures agreed to be able to judge whether they have been successful or not.

Q43 Chair: That information is available isn’t it—

Jim Coulter: Absolutely so.

Q44 Chair: —not merely in terms of overall analysis programmes, but comparing one new deal programme against another, and why one works and one does not?

Jim Coulter: Yes, there is a tome and a half of evaluations around including, in terms of housing

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market renewal, very substantial pieces of work have commissioned by CLG itself, done independently by the NAO, done independently by the Audit Commission.

Q45 Chair: Obviously there is less public money around; that is a fact. The Government’s view seems to be that we have therefore got to get the private sector to come in and take the slack up. Is there a worry that that may happen in some areas which are probably slightly more affluent, where the possibilities for growth are more obvious, but in the real deprived communities that simply isn’t going to happen, or do you think some of the measures in the document may stimulate private money to come in?

Michael Gahagan: They will help, but I don’t think they will be enough. You are absolutely right, you have got to have public money; for example, in development terms you have got to have money to take the risks out of a site, because in a time of recession developers go, understandably and quite rightly from their point of view, to the lowest risk areas. They will not go to regeneration areas. You have to improve the quality of the housing stock and the retail offer around the area where they are going to develop otherwise they will not go there. So it needs that mix of public and private investment in these areas, and it will not happen just through the private sector. Quite the reverse, there is a risk of some of the investment we have put in, in the past in some areas, where they have not reached the tipping point, going backwards.

David Orr: I think almost everyone who has been involved in this conversation has said something along these lines: in those places where there is a viable, relatively thriving economy at present, there is a realistic opportunity for the private sector to be the catalyst and the driver for greater economic growth. But in those places that are characterised by economic failure, by market failure, it is highly unlikely that the market, the private sector, will go to those areas to seek to generate a new economic benefit for itself. So if you want to have a nation where every part of the country is benefitting from growth, it is almost certainly the case that to attract that kind of private investment, there will need to be a hook that brings it in.

Julian Dobson: I would echo that. I refer you back to the Scottish Government’s Regeneration Discussion Paper, which said that the property based regeneration model of the last 10 to 15 years is no longer viable, certainly in Scotland. That is a model financed by speculative development where a private developer will come in and there will be sufficient profit to finance regeneration activities. That is not just unique for Scotland. The British Property Federation’s written evidence to this Committee makes the same point.7 I was looking at Knight Frank’s recent assessment of the commercial market, and their assessment as of April was “The market has to get a bit worse in order to get better. However, the pain this time will be localised to lesser quality stock in certain parts of the country, and not the general pain seen in 2008.” In other words the markets that are doing well will do well over the next few years; the markets that are not doing well will continue to decline. Now if you are looking at a property based model for regeneration, looking at where people are going to putting their investments in future, the investments that are doing really well at the moment are houses over £10 million in Central London and English farmland, but I do not see any regeneration benefits accruing from either of those. So if investors work on the principle that they are going to put their money where they can get the greatest return, then I think our most deprived communities with the most difficult economies are likely to be at the bottom of the pecking order.

Jim Coulter: Could I slightly qualify that and, as they say, put a gloss on what my learned friend says? I will give you an illustration of where the public/private mix in housing market renewal has actually worked, but over a timescale that took a considerable amount of investment to get there. In Newcastle a few months ago the local authority and a consortium of three house builders signed a joint venture deal worth over £200 million on the back of housing market renewal, Homes and Communities Agency investment. In Gateshead the parallel process has almost concluded—it has got to the preferred partner stage of the tendering process—again on the back of pre-existing public investment to de-risk sites, to provide infrastructure to get to a market clearing position. Roughly £60 million of private investment over the next 15 years will be built on the back of about £150 million of the public investment. So it will vary from place to place. Those are still deprived areas, but there is a substantial opportunity that has been created by the amount of public investment. I think the question going forward is: over what timescale and in what areas is a comparable level of activity actually needed?

Julian Dobson: And I think the important thing to say about that is that it is the public investment that de-risks it for the private sector. So if you are talking about reducing public investment or taking it out of the equation, then the capacity to do that kind of thing is reduced.

Q46 Chair: You were saying about the private sector following on. Is there any way in which we might be able to develop models—such as the gap funding of the 1980s—where the public sector puts money in to stimulate the private investment and help it happen, then there is an opportunity for the public sector to recoup some of the eventual gains so we can make better use of public money?

Michael Gahagan: Yes, we are doing that all over the place, or we did until the recession. Now most of the agreements with developers are open book agreements with an overage element in them so that the public sector gets back where they are successful. The problem is that that has become extraordinarily difficult to negotiate in the recession. All the Section 106s are being renegotiated.8 All those sort of deals are being renegotiated in these areas because the risks have grown.

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8 Section 106 (S106) of the Town and Country Planning Act 1990, www.idea.gov.uk/idk/core/page.do?pageId=71631
Q47 James Morris: Mike, you made the assertion, “Actually we are not bad at doing it,” and I was struck, again, by the definitional point. What is the “it” in that particular sentence?

Michael Gahagan: That is a good question; I wish I had an answer. I was thinking that earlier. I think it is taking lousy neighbourhoods, and people who have got all sorts of disadvantages within those neighbourhoods, and bringing them to a state where they can participate fully in an economy and look after themselves. That is my definition of it, which is a working definition.

Julian Dobson: I would agree with Michael that we are not bad at doing it, but I would also say we are not good enough.

Q48 James Morris: How do we evaluate “not bad”? I know you said you have international experience.

Julian Dobson: Well there have been, as Josh was saying in the first session, huge amounts of research that the Joseph Rowntree Foundation has done. It is well worth looking at. I think that tells you an awful lot about working in the most difficult neighbourhoods and communities, and it needs to be done in order to make it work. This conversation has started around the issue, which Mike has just alluded to, is quite significant: the additional revenue costs to local government to police local environmental harm.

Source: James Morris

Q49 James Morris: Sorry to interrupt, I just have one more point. If we are not bad at that, what does “not bad” mean in terms of concrete measurement?

Julian Dobson: If you take somewhere like the Brackenhall Estate in Huddersfield, 12 years ago, out of 1,000 council homes, 200 were tinned up. People were moving into those homes, which were being relet by Kirklees Council, and they were being robbed on the day that they moved in. Clearly that is not a sustainable regeneration model. Now that particular estate has benefitted from interventions that went with the grain of the rising housing market; they were lucky in that. Now of course there are things that stop that. Number 1 is crime. A lot of crime tends to accumulate when you have poor housing problems.

Q50 Simon Danczuk: I want to pick up on a point that Jim alluded to. You said that public investment over a period of time—and I got the impression that it was a considerable period—eventually attracted private sector investment, which is a good thing. Is there a possibility that we are going to lose a return on the public investment, particularly in terms of Her Majesty’s Revenue (HMR), but it could apply to selling off RDA assets at a time when we will not get much money for them. Is there a possibility that turning off the tap, as the Government have done immediately, creates a problem in terms of getting a return on public investment that has been going on for some years?

Michael Gahagan: Yes, that is my worry. Everybody expected cuts; we know we had to have cuts. It was the fact that last year it was £260 million, this year it is nothing. It is not just HMR, remember. Other associated budgets have also disappeared. One that springs to mind in the housing field is the single housing pot. In my area it was £26 million HMR, £13 million single housing pot; that is £39 million disappeared. The single housing pot funded loans to private sector and environmental improvement. Some areas have got beyond the tipping point. There are still issues there of employability and skills and so forth. Other areas exist—I have been to several in my area, Clive might know them—where in the worst case scenarios we have left families with houses boarded up next door to them, there is vandalism, there is anti-social behaviour, all sorts of problems. We should not leave families like that. Some of those areas we have had private investment in, we had private housing going in, and they were really starting to take off. Now there is a real danger that those areas will go backwards. There is also the cost associated with these areas. Rotherham did an assessment in Canklow; it is going to cost them an extra £100,000 a year in additional callouts on the fire brigade and so forth just to try and keep the lid on that area to make it a half decent place to live. It is a real issue.

Q51 Simon Danczuk: Jim? Jim Coulter: I agree with that. I do think it is a very serious risk that the value for money that has been delivered so far will be at risk. We will end up at some future point redoing things that have already been done, and that itself has been a historic problem of some elements of regeneration. If you look at, for example, the most placed-based regeneration in housing that I can remember in recent times, which is Estate Action, quite a large number of areas of Estate Action across the country have had to be reinvested in simply because the process was not continued, and the holistic nature of the more successful elements of later regeneration have not been secured. The other issue, which Mike has just alluded to, is quite significant: the additional revenue costs to local government to police local environmental harm,
where there is incomplete demolition, for example, or vacant sites that have not got a good opportunity for alternative use in the short to medium term. At the worst peak of the West End of Newcastle, in the 90s, when abandonment was really rife, the local authority was spending about 40% of its environmental budget in Scotswood and Benwell, a relatively small area of the population. I am not saying that is going to be repeated at scale, but that is the risk. Some of the points that we have been making in the short term to Ministers and to officials have been about making sure that this literal abandonment of the programme without an exit strategy is tackled and we get some resource into dealing with the problems of dereliction in the worst places now. It surely is no coincidence, but today the Minister announced an additional £30 million, when he visited Liverpool, for housing market renewal for five of the 10 areas. I guess if we came back every day for another seven days we might come back to the level. But it is only five, and we have got problems at a different scale across the whole of those areas, so that is the literal, physical cost of the suddenness of change.

David Orr: One of the things that most of us felt was absolutely right about the housing market renewal idea was that it was going to require investment over a sustained period of time. We have lots of examples of where public money has been spent and, because it has not been sustained to the point at which the communities in question are economically, socially and environmentally sustainable, the money has in practice been wasted, and there is a very severe danger that that is going to happen here. These are large scale complex things. Julian is absolutely right to say that property based regeneration is not sufficient. It is not. Property is a necessary, but not sufficient, condition. There are all kinds of things that are necessary but not sufficient. One of those is sustained investment, and I do think that there is a real danger that the value of the investment that has already been made will be made much less because of not just the fact of the disappearance, but the manner of it. The axe coming down and a complete stop is not good use of public funds.

Q52 Mark Pawsey: I was going to pick up on some points that Mike made, if I may. My colleague said you spoke about us having the structures and skills in place, us being good at it and being good about regeneration. You said there was lots of activity up until the recession. Isn’t it the fact that the recession changed everything, and that operating in the present climate means that we are not going to be able to reproduce many of the good things that you saw happening in the early Noughties?

Michael Gahagan: No, I don’t think it is. The scale will be different, but if you read the report that Michael Parkinson, sparing his blushing, was responsible for on the regeneration in the recession, what it basically said was developers will fly to quality, the public sector has to stick with it because we cannot afford for these neighbourhoods to become disengaged from the mainstream economy. I think that is still the case. What I was trying to say was:

whatever the level of resources—of course there is not going to be the same level, but there should be more than the zero there is at the moment—we now have, almost by accident, developed or evolved over 40 years a set of regeneration policies, governance structures and skills. We have got some very capable people in the private sector. We have got some very capable local authorities. We have got some well informed communities now. We have got the LEPs who can provide a strategic overview. We have got an agency in the HCA that understands regeneration. We can build on all these things. The foundation is there, and, as someone said earlier, everybody is looking for the silver bullet. There is none. It is a hard long-term slog of pulling everything together and getting it on the ground. We do now have the structures, and my worry is that we are going to try and invent more new things and take our eye off the ball of making work what we have got and what we have learned.

Q53 Mark Pawsey: I am getting conflicting messages then, because I am getting a message that regeneration cannot possibly take place because the Government are not putting any money into it and are not too bothered about it, and you say to us you have got engaged local authorities and great people at the private sector and that things can happen. Where does the truth lie?

Michael Gahagan: They are not mutually incompatible, because what I am saying is all the structures are there, but you do need that stimulus of a bit of public money. After all, these areas are only as they are because the private sector has fled. So you have got to have some public money in to provide that glue that holds everything together, and that then gets the private sector involved. They know how to get involved now. We know how to do the deals with them.

Q54 Mark Pawsey: How do we capture that information. Urban Pollinators have a proposal for a national learning body? Doesn’t that contradict the whole principle of localism?

Julian Dobson: No, learning is about applying what you learn in a broad context to the local situation. I don’t think a sensible view of localism would be to say you have all got to reinvent the wheel wherever you are. I think there is an awful lot of learning that has taken place in regeneration. JRF have a very good cache of regeneration learning. CLES similarly. What you are is looking for is a way of bringing this all together at a national level to make it available. This is something that the Government did try to do, setting up the Academy for Sustainable Communities, the Regional Centres of Excellence, which were recommended in the Urban Taskforce Report. What we have seen, even prior to the change of government—and I certainly blame this Government’s predecessors to some extent for this—is a disintegration of the Regional Centres of Excellence, a continual chopping and changing about the Academy for Sustainable Communities, which then went into the Homes and Communities Agency and has now been decimated within the HCA.
Generally there has been a failure to understand the importance of learning. As well as that there has been a failure to apply learning at ground level. For the last couple of years I have been doing a piece of work with Bradford Council on what they call their Regeneration Academy, training up frontline council officers to understand basically what makes a place work. The level of understanding among many people who are involved in planning, in economic development, in infrastructure related jobs about what regeneration is, why it is needed and what makes it work is very, very low. If we are going to move into an environment with much reduced resources, which clearly we are, then we need to up-skill the people who are out there at the moment, and we need to find ways of doing that in a cost effective way without the resources from something somewhere else—you have done that is done, whether it is through an exterior body like JRF or an independent body, but it does need to be done, and it needs to be a priority. There needs to be a way in which frontline council officers, developers, people who are actually involved in making things happen on the ground have access to learning. What we are finding at the moment with the reduction in public sector funding is the first thing local authorities and others cut back on is staff training and learning. We can see why they do it, but it is short-sighted and it will result in problems further down the line.

Q55 Mark Pawsey: Now I am confused. We have got the people there with those skills already, and a lot of them are going. Michael Gahagan: Yes, I would not be quite that dismissive. A lot of them are going. All my staff have been made redundant. The good local authorities are still struggling to retain their good staff, and they are managing, I think, to keep a corps of staff. That is what I am hanging on to. I agree with Julian across the piece of doing that is a need for better learning; there always will be. But it has happened; Pathfinders ran seminars and conferences amongst ourselves with private developers and with training providers. I do not know whether Jim’s experience is the same. In my area they are just managing to keep that corps together. We did suffer from that in the 1960s. At the end of the 60s all the experience in slum clearance, in compulsory purchase disappeared, and we had to recreate that, to an extent. I think we might just avoid it this time. I am a bit Pollyanna-ish, sorry about that.

Q56 Mark Pawsey: Can you point to bad examples of regeneration that happened because of the loss of those skills? Michael Gahagan: I always blank out of my mind the really bad ones. There were bad cases of Compulsory Purchase Orders (CPOs) that went on that were not properly prepared and that were not properly carried through the inspection process, the public inquiry and so forth.

Q57 Mark Pawsey: Would it be your fear that if we don’t keep them, taking your point about not reinventing the wheel, what limited funds we can put into regeneration are going to get wasted because there are not going to be the people who know how to use them most effectively?

Julian Dobson: There is that risk. David Orr: I’m going to tell you a good story. Because this whole question about localism has only recently become part of the public and political narrative, there’s become an assumption that it didn’t already exist, but of course it did. Successful regeneration: yes, it needs investment; yes, it needs to invest in housing and economic regeneration and those things; but it needs fantastic local leadership. You will not get sustainable long-term regeneration without there being effective local leadership. There are lots of small and large scale examples around the country where local leadership has made that difference. For example, in Wythenshawe in South Manchester there is a ward called Benchill, which was at one point assessed as being the most deprived council ward in the country. There was a stock transfer, and that stock transfer became the catalyst for a long-term strategic approach to reinvesting and reimagining what that area looked like. So the promise was about kitchens, bathrooms and double glazing. The reality was that first we have to make this safe. There was investment in CCTV, even mobile CCTV, so that people could begin to feel safe. There was investment in property, local facilities and the people who lived in Benchill. It is now a thriving community with a waiting list for the housing, and private developers building spec housing for sale, something that would have been unimaginable 10 years ago. It needed all of those things. You can take that fabulous local leadership and deprive it of investment and it will still be able to do things, but it will not be able to do things as comprehensively as they have been able to do.

Q58 Mark Pawsey: But to go back to the point about recession, did that happen because the economy was booming, the house prices were rising pretty fast? If we were to try to replicate that now would it still happen, in your view? David Orr: It wouldn’t happen in precisely the same way now. It would be harder to do from scratch now, but the fact of transfer created a mechanism to create investment potential. You could still do that now, although it would require some big decisions by the Treasury. But you have to have the mechanism to begin that process of investment. You need to have the cash up front that allows good things to happen, and thereby generate the kind of economic growth that makes that place sustainable and contributing to the economy rather than being a drain on it.

Q59 George Hollingbery: Did somewhere replace Benchill at the bottom of the list? Yes, somewhere did. Did you poke a balloon in one place and it stuck out somewhere else? It is something that has been intriguing me throughout all these discussions. Michael Gahagan: If you improve an area does the one next door become a problem?

Q60 George Hollingbery: You are withdrawing resources from something somewhere else—you have to be—or some money that could have gone somewhere else. Do you poke the balloon on one side and it pokes out somewhere else?
**Michael Gahagan:** That is a danger, and that is why the LEPs have got a role in looking strategically across the piece. But you don’t ignore the other areas; that is a very important element. The question was asked earlier about whether you invest in the areas that are likely to get over the tipping point, or do you invest in the worst first. In a sense you almost have to invest in the worst first, otherwise you will get them back into the difficulties that we faced 20 years ago. I don’t think we are in that situation, but you do have that issue, and you don’t ignore the other places.

**Jim Coulter:** The NAO looked at this in relation to the housing market renewal in 2007 and found that, on the whole, there wasn’t a displacement effect because it was an anticipated effect that was more carefully managed than might otherwise have been the case.

Q61 James Morris: We have talked a little bit about localism. David, you said localism already existed. Is there anything distinctive or different about this Government’s approach to localism and regeneration that you are seeing emerging?

**Michael Gahagan:** I think it is a difference in degree. The rhetoric is important. The ending of some ring fencing of budgets is immensely valuable, because a lot of time can be spent on trying to twist the budget to fit your local regeneration scheme. The support to some of the communities is also valuable, but I think the really important thing is the confidence of the local leadership. It has been talked about a lot. You can mention Hulme. I was involved in Hulme, and there was a whole range of things that contributed to Hulme’s success. But if I had to pick just one, it would be the quality of the political leadership and the leadership of the officers at the local authority. I think that is absolutely fundamental. They were confident enough to do it. I think if the localism can build up, generally, that confidence exists in the best authorities, and the willingness to deal with the local communities—you have got to be confident to do that.

Q62 James Morris: There are still going to be some issues about cross-boundary regeneration. For example, the Black Country, part of which I represent, has lots of integrated economic geography; some deprived areas, some slightly less deprived areas. I think you said some positive things about the Local Enterprise Partnership’s role. We talked about the Enterprise Zones earlier; the Black Country is going to have an Enterprise Zone, but you might have a situation where a lot of the regeneration just gets sucked into one place. So how do we deal with those issues? Will the LEP have the power and resources to deal with and overcome those cross-border issues, do you think?

**Michael Gahagan:** A LEP can be almost anything it wants to be. There is a huge variation at the moment between, at the one end, the Greater Manchester LEP followed by others such as Sheffield. Interestingly enough, Sheffield has got a subgroup, which is a joint board with the HCA on regeneration and housing, so they are not ignoring this, and they can take a strategic view across the piece. Enterprise Zones are a bit different. I was responsible for Enterprise Zones in their first incarnation, and I would recommend anybody read the Roger Tym evaluation of them.10 They can stimulate activity in an area by bringing together a critical mass and focusing attention on that area, but there is a big dead-weight cost and there is boundary hopping. They are a mixed message and a mixed baggage, Enterprise Zones, and you do have to be very careful where they are located. One of the interesting issues about the new Enterprise Zones is that the business rate is going to the LEP, and that will provide some resources.

Q63 Bob Blackman: Turning to the Regional Growth Fund, which obviously is the Government’s view of saying, “We are going to target private sector investment in places where the public sector has been predominant,” so we get the switch from public sector employment to private sector employment and grow through that. Do you think they have got it right? Is that the right approach?

**Michael Gahagan:** I think that is the right approach to tackling the loss of public sector jobs, but I don’t think it is a regeneration approach. My personal view is that the Regional Growth Fund is fine and it is serving a purpose. But you should not present it as being the answer to a regeneration problem.

**Julian Dobson:** I would echo that. It is about business support, and clearly, if you have business support that helps produce investment in regions of the country that are underinvested, that is a good thing. But there is a big, big question about whether that is going to produce jobs and opportunities in the most difficult and most disadvantaged areas.

Q64 Bob Blackman: If that is your view, what changes would the Government need to make in order to provide such opportunities, apart from increasing the amount of money?

**Julian Dobson:** The money from the Regional Growth Fund is going to businesses that have high prospects of growth, and interestingly a lot of them are subsidiaries of international and multinational companies. So there needs to be something different that is done at a very micro level, at the level of estates and neighbourhoods that are particularly stressed and distressed. That has to be about working with individuals and families to create skills, boost education, connect up with jobs where they are available and effectively to rebuild those economies from the ground up, and that will be very, very long-term.

Q65 Bob Blackman: I am sure if the Minister was sitting there he would say, “Well, yes, that’s fine, but that is a local decision, that is local activity, that is not what the Government is intending to do. The Government is for the big picture issues, and those sort of things are absolutely relevant but should be done at local level.”

**Julian Dobson:** Well if the Government is talking about strategic intervention and regeneration then it has to look at those very local areas. That does not mean it has to deliver actions in those areas, but it does need to take a strategic decision that additional
investment of one sort or another needs to be applied to those areas. There is another issue, which is about the macro, much bigger picture, which we have not touched on yet but I think is relevant to this, and that is about the environmental imbalance in our economy, and the fact that areas of highest growth at the moment are the areas of highest environmental stress. There was a very interesting report that was produced quite recently by the Royal Commission on Environmental Pollution on demography and environmental change.\textsuperscript{11} We are now seeing a situation where, for example, Thames Water is spending £250 million on a desalination plant in order to sustain the water infrastructure for London.

So at a macro level there is a very strong argument for the Government investing strategically in areas where there are fewer environmental pressures and in greening the economy in terms of new areas of business and technology that are going to provide opportunities in areas that have previously been underinvested. So, for example, there is no reason why an area like Sunderland should not be a centre of offshore wind manufacturing. So there are big strategic issues that could be done by Government that will have regeneration effects in the long term. But against that you must also link the very micro interventions that need to be connected up with the strategic interventions if benefits are to be felt by people in the most disadvantaged communities. I think you have to say: why bother with regeneration at all? Why bother with the most disadvantaged communities? And the answer to that is because they have been failed time and time again by both the private market and public sector interventions, so we have to find a way of reconnecting the interventions that we do as Government with those communities that have lost out as a result of poor planning and poor policy.

\textbf{Michael Gahagan:} It may be that in phase 2 the Growth Fund will move a bit more towards the regeneration dimension, but even if it does not, in answer to your question, there are things that could be done, not through the Growth Fund, but that can take off some of the benefit. I think customised training is a classic case where you train people particularly for the jobs that the Growth Fund is creating, and you try and target your training on particular communities. We have done it in the past; it is that sort of day-to-day thing that you need to do locally.

\textbf{Q66 Heidi Alexander:} Can I ask you all about the various new financial mechanisms that the Government are promoting to fund regeneration such as TIFs, New Homes Bonus, Community Infrastructure Levy (CIL). You don’t have to say what you think about all of them. We have already touched on Enterprise Zones and we can probably leave those. What are your views on how effective these financial mechanisms will be in promoting regeneration?\textbf{David Orr:} I do not think that any of these measures are specifically designed to stimulate regeneration. They are designed to do other things, and they may in the right circumstances be able to contribute to regeneration, but they are not themselves a strategic set of measures designed to create an environment for effective regeneration. Consider the construct of some of them. If Community Infrastructure Levy takes precedence over Section 106 then it might mean that there is a reduction in the delivery of new affordable housing. I don’t think that would be a good outcome in housing or regeneration terms. It is almost inevitably the case that the way the New Homes Bonus is structured will lead to money being moved away from low value local authorities, mainly in the North, to high value local authorities, mainly in the South. I do not think that would contribute fundamentally to regeneration, so I think that they are measures that do, or may do, the things that they are designed to do. But I do not think they are really about regeneration.

\textbf{Q67 Heidi Alexander:} Would you agree with that assessment?\textbf{Julian Dobson:} Yes, I would go along with that. I would say TIFs in particular work well in a rising market. It is significant that, in Scotland, the place that is piloting TIFs is in Edinburgh, which is the area with the highest values; again, is it going to address the issues that we are concerned about with regeneration? I could imagine the successor to this committee sitting here in 50 years’ time saying, “Well they completely messed up about giving hope to our kids and our grandchildren, but boy, didn’t they do some exciting stuff with taxing and financing?” I think a lot of it is tinkering, and there might be quite effective ways of tinkering, but they are not really addressing the important issues.

\textbf{Jim Coulter:} Can I just add on the New Homes Bonus, it is a point that has been made in this session and earlier, the approach of “net new” is substantially disadvantageous to areas that are going through the restructuring of their housing market stock. That is a process that will continue across the North and Midlands for quite some time to come, actually driven by communities and not simply by a technical appraisal.

The second point to make essentially is that, as well as its redistributive effects, the actual net cash coming out of New Homes Bonus is nothing compared to the interventions that we have been accustomed to. The figures for Newcastle and Gateshead for first year’s allocation between the two authorities are just over £500,000. In the last financial year on new build investment through the Housing Market Renewal Programme we committed about £17 million to site preparation and infrastructure investment and so on. There is an absolutely enormous mismatch between the resource that we produced and what is actually required in order to get land to be development ready.

\textbf{Michael Gahagan:} We have done slightly better than that in South Yorkshire because we had more development, and we have lost about £26 million. This year’s settlement is about £3.5 million through New Homes Bonus. So we are one of the better off, but still nothing like. I agree with Julian about TIF. It has got a role to play. All these things might have a role to play, largely in the city centre, but it is not what the Act is really about. I think CIF might help in the sense that it gives a developer more certainty.
about the tax he is facing. But I suspect that in areas like this, if you can get anything, and you may not be able to, anything you gain through CIL you will lose through Section 106. You can only tax a development once if you can tax it at all. So I think it will help the development industry a bit, but I do not think it will add to the sum total of investment or social good that comes out of the development.

Q68 Heidi Alexander: In some of your evidence you referred to other options that might be explored as well. Someone referred to Local Asset Backed Vehicles (LABV).

Michael Gahagan: Oh, yes, we did.12

Q69 Heidi Alexander: Could you say a little bit more about why you see potential in those?

Michael Gahagan: They are a scheme where the local authority puts in the land and a company is formed jointly with the private sector. Even with the market as it is now, there is still some activity in these. They are unproven as yet, but they might well be quite a useful vehicle. I am not absolutely sure how they balance up against the local authority borrowing. Where I have seen them—there is a similar sort of operation starting in Doncaster, for example, though it is not a full LABV—I think they could be a weapon in the armoury. But I keep coming back to this point: don’t look for any single silver bullets, it is the long hard slog over a prolonged period of time with a prolonged commitment that is necessary.

Q70 Chair: My understanding is that strictly speaking 106 money has to be applied to the planning permission given for a particular development. That is what it is supposed to be, and local authorities do stretch it slightly.

Michael Gahagan: Well they are allowed to charge money instead, which can go into social housing, which I think is David’s point.

Q71 Chair: But in terms of other infrastructure it shouldn’t be so used, but CIL can be used, perhaps in different market conditions than today, to raise money for projects in more upmarket areas, and apply them to improving the infrastructure in more deprived areas. Isn’t that one of the advantages of it? It probably won’t be much use to them in the current market conditions, but in the future it might well be.

Michael Gahagan: Yes, I think that is true. I don’t share David’s concern that they might not put it in housing. If that is not their priority, fair enough; they are the elected representatives to decide what their priorities are. So I think it does give them that discretion, but they have quite a lot of discretion under Section 106 in many respects.

Q72 Simon Danczuk: How important is the planning system in terms of regeneration?

Michael Gahagan: It never impinged on me, to be honest, it is not a problem. In all my time in regeneration, I have only once known it be a problem. That was in Hulme, where the local authority soon overcame it. My experience of the planning system is, outside of Areas of Outstanding Natural Beauty (AONBs) and greenbelt, where there is a will, there is a way.

David Orr: I think that is probably true. It is often harder to get consent for half a dozen new homes. Regeneration schemes tend to be larger scale, tend to be a bit more strategic, and they tend to have the engagement of the local authority across the board so there is a greater understanding of what people are trying to do. No one suggests that the planning system is presently perfect, but in terms of regeneration it is not one of the major difficulties.

Julian Dobson: I will add one thing to that, which is that one aspect of the planning system has been particularly helpful: the concentration on town centres first, and the way that the planning system has mitigated against out of town developments over the last decade or so, and that has been hugely helpful in terms of keeping a lot of town centres alive and helping a lot of city centres to thrive that otherwise would have lost a lot of trade to out of town shopping.

Jim Coulter: Can I just add one further point on this? One of the reasons—and I agree entirely with what Mike said about planning permission having been a problem, certainly in housing market renewal—is that a substantial commitment to know what you are planning, with significant community engagement, has been a critical part of making sure that people understand the process of what is going on, and support for it gets generated through that means. The decisions at the end have become more formal as a result of that in their action plans. Certainly Newcastle and Gateshead have been supported by significant majorities on local polls and local surveys: well over 60% in areas where the turnout at a local election would be at best half of that.

Q73 Bob Blackman: Given the resources are limited, given that there is a whole range of different areas to be addressed in terms of areas of the country, should we be taking the view that some areas are beyond regeneration, just leave them as they are and concentrate on areas which can be regenerated with smaller sums of money?

Julian Dobson: I think the question has to be asked because it concentrates the mind. We then have to ask why we are doing this. It brings us back to the fact that regeneration is not about theory, it is not about property. It is actually about people, and people who live in particular places that have been distressed and disadvantaged for all sorts of reasons. Now, places change. So the question is how to work with natural changes that might occur as a result of market changes, but also how to complement that with a strategic overview which says, “At a Government level, we think that investment in such and such a region is more important for the good of society than to simply invest where the market is already strong.” If the market is already strong there’s a question, why put extra public investment in it anyway? If you are looking for areas to reduce public investment, why not reduce it in the areas that are most likely to succeed?

Q74 Bob Blackman: My counter argument to that would be that the investment of a certain amount of
public money may then lever in large scale private investment, which then helps to regenerate the area for the benefit of everyone.

**Julian Dobson:** You have to work out those trades off. But what I would come back to is saying that in those areas where private market has failed and where public policy has failed, there are hundreds of thousands of people whose lives have been messed up for one reason or another, and it is ethically unacceptable just to say, “Fend for yourselves.”

**Michael Gahagan:** There are some areas that were built up in the industrial revolution which you cannot sustain at their current level. If I was a North American, in some areas I would say, “Well, tough, let them go.” I suspect in this country, if only because we all live within 50 miles of those areas, we can’t bear the social and political cost of that, as well as just the sheer fairness that Julian mentioned. You do have to put some money into an orderly downsizing of those areas, you can’t just walk away from them. But I agree, in a sense the more optimistic focus is on those areas where you think you can get them up to the level where they can look after themselves.

**David Orr:** I think Benchill might have been regarded as one of these places that you would abandon. There is often a theoretical construct that says, “We have got extra properties that we do not need.” For a long time there was a debate that ran in Glasgow that said, “There are four major peripheral estates, now we only need three of them. Should we just decant, close one of them down and demolish it?” The difficulty is that if you go and speak to the people who live in those peripheral estates they say, “Me and my family have been here for 50 years. We like it here, we don’t want to go.” If localism and the views of local people are a driving consideration, you will find it very hard to find places that you can just abandon because people have connections to those places. So you can only do it—

**Q75 Bob Blackman:** Can I just interrupt? Is there not a risk that you are concentrating money on the areas where you have got money and you invest, and these places just go by the board? There is no investment, nothing happens to them, and then they just go nose-diving down into a terrible state of decline.

**David Orr:** There is a real risk of that happening. But this is a country where the population is growing, and where our focus needs to be on thinking how do we accommodate this growing population with different kinds of household formations and different needs. Abandoning useful housing is quite a difficult thing to do. The issue here is how you create a strategic environment where those decisions are part of a strategy rather than a kind of specific, “It doesn’t look like this is going to work very well so let’s just get rid of it.” I do think that if localism is to be a driving concern you do have to pay attention even when people in the local area say things that you don’t want to hear.

**Julian Dobson:** I think adding to that, it is really important to assess what kind of local economy can be created in some of these places. I think that is a really important job for the LEPs. If you look at somewhere like the Dearne Valley in South Yorkshire, a former coalfield area that never really recovered from the de-industrialisation of the 1980s despite huge amounts of public investment, there is a real issue about how do you create a working local economy in that area? However, I am pleased that it is one area that the Sheffield City regional LEP is looking at, coming up with a vision for creating a working economy in that area, and I hope that works. But that is the kind of exercise that the LEPs really need to be doing in all these sort of places.

**Jim Coulter:** But it does not have to be at the population level necessarily in all the places that it is now.

**Julian Dobson:** It is about creating the circumstances in which people and places change, accept change, work with change, and create the new opportunity to live, work, invest and learn.

**Chair:** Finally, just brief answers.

**Q76 Simon Danczuk:** So in tabloid language what do you think of the Government’s document?

**David Orr:** *The Emperor’s New Clothes.*

**Julian Dobson:** Vacuous.

**Michael Gahagan:** If I was still in CLG I would be disappointed. A bit strong, but—

**Jim Coulter:** I wrote down, “Spads rule okay.”

**Chair:** Okay, thank you all very much indeed for coming to this hearing.

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13 Spads = Specialist Advisers to ministerial departments. www.civilservant.org.uk/spads
Monday 23 May 2011

Members present:
Mr Clive Betts (Chair)
Heidi Alexander
Bob Blackman
Mr David Heyes
George Hollingbery
Mark Pawsey
Steve Rotheram

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Examination of Witnesses

Witnesses: Keith Burge, Chair, Institute of Economic Development, and Kieran McNamara, Chair of CEDOS, Chief Economic Development Officers (CEDOS)/Association of Directors of Environment, Planning and Transport (ADEPT), gave evidence.

Q77 Chair: Good afternoon, thank you very much for joining us and welcome to the second evidence session of our inquiry into regeneration. For the sake of our records, could you say who you are and the organisation you represent?
Keith Burge: I am Keith Burge; I am Chair of the Institute of Economic Development.
Kieran McNamara: I am Kieran McNamara, Chair of the Chief Economic Development Officers’ Society.

Q78 Chair: You are both welcome. Thank you for the evidence you have given us so far. The Government has issued a document, Regeneration to Enable Growth. Do you think that provides a clear strategy for future regeneration? If not, why not and what do you think should be done instead?
Keith Burge: The easy questions to start with. If you would like a one-word answer: no.
Chair: That did not last very long.
Keith Burge: Shall we go now? When I read the document I wondered if it was not sinking in or whether a number of pages were stuck together, because by the time I got to the end of it I could not believe just how limited it was in its appreciation. No consideration has been taken of the nature and scale of regeneration that is required, where it is needed and where the opportunities lie. There was no review of community-led regeneration, of what has worked, what has not worked and why. None of those things were included; it is just really a hotchpotch of what has not worked and why. Instead it is about affordable housing, High Speed 2 and Crossrail and the Olympic legacy.
Chair: What Government is doing in support of community-led regeneration.
Keith Burge: I am going back to the front cover, “What Government is doing in support of community-led regeneration.” I do not think any of the things in there have anything to do with community-led regeneration. So that is a misnomer to start with. Are the regenerative benefits of High Speed 2 any better or worse than spending that money on other regeneration activities? We do not know. I think it is just a very narrow view, a very brief view and one that really lacks any evidence to suggest why the Government is proposing to do what it is proposing to do.

Q79 Chair: Do you not think it is going to work or you are not sure what is actually trying to be achieved?
Keith Burge: I keep going back to the front cover, “What Government is doing in support of community-led regeneration.” I do not think any of the things in there have anything to do with community-led regeneration. So that is a misnomer to start with. Are the regenerative benefits of High Speed 2 any better or worse than spending that money on other regeneration activities? We do not know. I think it is just a very narrow view, a very brief view and one that really lacks any evidence to suggest why the Government is proposing to do what it is proposing to do.

Q80 George Hollingbery: Is the Government actually planning to do anything?
Keith Burge: A gain, if you return to the title and the idea of community-led regeneration, I do not believe any of this really is what we have come to regard as community-led regeneration over decades of successive Governments. There is enough past practice to look at; we can go back to Urban Development Corporations, City Challenge, Single Regeneration Budget, Neighbourhood Renewal Fund, New Deal for Communities and so on. Plenty has happened but nobody has taken the trouble to sit down and look at what has worked and why, or what has not worked and why. Instead it is about affordable housing, High Speed 2, Crossrail and the Olympic legacy.

Q81 George Hollingbery: The Government are not daft. I agree with you that this is a very thin document, and I am not going to pretend otherwise. What is behind the Government’s thinking? They are clearly thinking something. Perhaps they are deliberately saying that they are not going to have anything to do with it and think that it does not work and the Government should not be part of this process. Perhaps they are saying there is not enough cash and we simply cannot afford to do this, or they are saying that economic development is going to drive this and that is going to make it work. In your view, what is underlying this very thin document?
Kieran McNamara: From my perspective, it is a couple of things: the drive to what they see as a more locally based decision-making process and the identification of particular funding mechanisms that might be available locally for local populations and determining how that is best utilised. So the idea around TIF and the New Homes Bonus and so on are welcome. I think there are issues on the details, but I think it is driving the agenda, particularly from a local government perspective, more towards local areas determining what the priorities are rather than the Government setting the priorities for those local areas. So from that perspective, the drive towards the localism agenda is quite welcome.

Keith Burge: If there was more argument in their saying that we do not believe that area-based regeneration works for the following reasons, then that would be something for us to get our teeth into and have a debate about. That is not even in there; it is very selective, very partial and really does not make the case for the things it is suggesting should be funded in future.

Q82 Bob Blackman: Could I just ask you something? One of the problems in this whole debate is a lack of clarity about what regeneration actually is. However many people have you in the room, you will come up with one more opinion than you have people; it does not talk about communities other than people. Do you have a clear view of what regeneration is and in particular what area-based regeneration is?

Keith Burge: Regeneration as we see it at the IED is a much more holistic process than that which has been identified here. For regeneration read development to a large extent in this document. It does not talk about people; it does not talk about communities other than on the front page. It does not have a full appreciation of all the very complex factors that come into play in regenerating a local area.

Q83 Bob Blackman: Could you point me to one example over the last 20 years of a real regeneration scheme that you would regard as being a success? I am not challenging you; I just want to get a clear picture of what that would be.

Kieran McNamara: Can I give you one example that I have personally been involved in?

Bob Blackman: Yes.

Kieran McNamara: That is in area in East Sussex called Hailsham and a particular ward, Hailsham East. It was a very holistic approach and it embraced a whole range of activities. It was focused on an estate called Town Farm, a very traditional Radburn estate with lots of warrens and passageways, so it had issues with crime and so on. The thing that really transformed that estate from my perspective was that, instead of wanting to get off it, people started to want to get on it. For me that is a real transformation and real evidence that something is working and is successful: when people actually want to live in places.

Q84 Heidi Alexander: In the last few months of last year we saw a lot of different Government funding streams coming to an end, whether it is Local Authority Business Growth Initiatives, (LEGI) or Working Neighbourhoods Fund. There have been big cuts to the Homes and Communities Agency budget as well. I just wondered whether you think the Government is doing enough to ease the impact of these big cuts in direct regeneration funding?

Keith Burge: I do not see that it is doing anything to mitigate the effects of those cuts. We all understand the situation with the public purse, we do not need to labour those points again, but I think that there is a lack of appreciation of the fact that some of the spending is investment and not just cost. A failure to make that investment is going to have some knock-on effects elsewhere. Failing to continue to work with local communities has impacts on people’s ability to access employment and training, their health, crime, on the environment and so on. So it may save money today, but it is stirring up problems for tomorrow.

Kieran McNamara: It is quite clear that there have been no replacement funding schemes in the way that they were available before. The focus has been more on the Regional Growth Fund and trying to drive private-sector investment. It is quite clear that there is no replacement and we are in the fiscal position that we are in. There is an element of us having to stand back and reflect on that and see which of the mechanisms that have been put forward can work in our best interests.

Some of the ones that the Government have put forward may well work, but I do have concerns as a society about how the mechanisms are going to be introduced. For example, the New Homes Bonus is based on net additional homes. In those areas that have major housing issues and need to clear housing and then rebuild, the net additional housing is going to be pretty limited, and yet the investment and the number of new homes is going to be quite significant. So I have some reservations about the way some of these mechanisms work from a society perspective.

Keith is quite right that there are no direct replacements, and our members are reporting significant budget reductions: 50% reduction in capital, 30% reduction in revenue budgets and about 33% from staffing. So these are having significant impacts at the moment. I think that we have to stand back a little bit and just accept the reality of the financial position of the country.

Q85 Heidi Alexander: I mentioned quite a raft of different initiatives in the economic development sphere. Previously Keith mentioned a whole range of historic urban regeneration vehicles. What, in your view, have you seen actually work? Was it the New Deal for Communities? Was it Neighbourhood Renewal Fund? People talk about these examples and the desire to see a lessons-learnt exercise being done, but from your professional experience, what do you see as having worked?

Kieran McNamara: There are two things from my perspective. In a previous life I worked in Scotland, and we had a programme called New Life for Urban Scotland focusing on peripheral estates. I worked in a particular programme in Wester Hailes in Edinburgh. For me that worked very, very well. It was the holistic approach that Keith alluded to earlier.
Similarly I have seen Single Regeneration Budgets (SRB) work very well. I was involved in a submission that was a very holistic and started from things like speech and language therapy for young kids before they went to school. That was taken over because we managed to get Sure Start Pathfinder into that particular area, so it was combined with an SRB programme. That worked really, really well but it was a holistic approach that took in the economic needs, the social needs and the environmental needs. You are looking at the whole gambit of issues and having a co-ordinated strategy that came from the community—that the local people actually buy into it. That was the example I was referring to earlier where it worked particularly well.

Keith Burge: My day job is in economic consultancy, and I have been involved in evaluating many of these programmes. The thing about them is that they are so different. Within the New Deal for Communities there were 39 different programmes, with each and every one of them being delivered in a different way by different people in different contexts. Some of them that we looked at were absolutely fabulous and some were really dreadful. It would take a long time to explain all the reasons behind that.

The same applies to pretty much all the other things we have looked at: the Neighbourhood Renewal Fund, Single Regeneration Budget and so on. A gain one of the subtexts for this document is the localism agenda and getting local people to be more involved. One of the things that has hampered some of these programmes, and certainly the succession strategy that they have sought to deploy, is the problem of building local capacity. It is all very well talking about the principle of localism where you have motivated people who are used to taking on responsibility. That is all well and good, but in many more deprived communities the thought of managing a multi-million-pound property portfolio scares people half to death.

Q86 Heidi Alexander: This is the final question from me for now. The Government seems to be assuming that the private sector will step in to fill the gap where there may previously have been public funding. Do you think that is going to happen? In the areas where there is a degree of physical redevelopment and economic and social progress being made, do you think the private sector is going to step in and fill that gap? If you do not, what do you think the Government should be doing to encourage it?

Kieran McNamara: I will let you go first this time, Keith.

Keith Burge: Why would the private sector step in any more now than it has in the past? It will step in where it perceives a decent return on its investment and where there is an acceptable level of risk. The public sector has a role to play in facilitating private-sector investment. There are a number of things in the document that are possibly seeking to do that, but I am not sure that it goes far enough. The private sector is the private sector; it is there to get a return on its investment. You mentioned the social outcomes. It may be that what suits the private sector does not actually serve the public good and the social good. So I think there has to be some care taken that we do not get unfettered private-sector development, which has negative impacts for local communities.

Kieran McNamara: I think the reality is that the private sector will only invest in those areas where it will see a return, and one of the roles that public-sector bodies like local authorities can play is to facilitate conditions to enable them to come forward and de-risk development, which may involved a degree of pump-priming. The pump-priming element that we are referring to seems to be evaporating.

Keith Burge: The other aspect, which I am sure is close to your heart, Kieran, as it is to mine, is: who is it within the public sector that is going to be facilitating this private-sector involvement? The economic development has been so denuded by the cuts that have taken place that there are no staff within the local authorities and other organisations who can do the work with the private sector to get this development under way.

Q87 David Heyes: My constituency is one of the very few to benefit from round one of the Regional Growth Fund. We have £5 million going in, which is going to safeguard 200 jobs and generate another 100 jobs in a high-tech, high-skill, export-based local firm, and that is really welcome. But that is the only good news on a pretty bleak horizon in the north-west of England. It goes way beyond my constituency. All the other area-based funding initiatives that we have referred to already have either gone or have big question marks hanging over them. The Government’s document, Regeneration to Enable Growth, really talks about major capital schemes, as you said. They refer to Crossrail, High Speed 2 and the Olympic Park, and those seem very distant from my part of the world. I am not able to see how the north-west of England, and I guess other places, will benefit from that. What are your views on that?

Kieran McNamara: I am not sure that I would necessarily disagree with you. I come from a part of the country in the south-east where we have had no RGF successes at all. Yet in my county we have one of the most deprived communities in the country. Hasilds is one of the most deprived, yet no success on RGF. There very few to benefit from round one of the Regional Growth Fund. I am sure that programmes that have any direct benefit to our communities, as far as I can see. However, there are instruments the Government are bringing forward that we could potentially benefit from, but we need to see the detail and the details seem to be being delayed. So in there is a lot of interest in tax increment financing for example, particularly from CEDOS authority members. They want to know how that might work and how they could benefit from that. But the timetable for that has just been put back, and I believe the Bill is not going to be out until December instead of early this year. So there is a lot of uncertainty. Coming back to the question about private-sector engagement, they need certainty and clarity about a range of things: about mechanisms that might be there to support them. If that is clarity is not there, that will dissuade them from investing.

Keith Burge: Again, I would agree with that. The beneficial impacts of investments proposed will
depend on who you are and where you are, and there are large swathes of the country where affordable housing perhaps is not that much of an issue. They certainly are not going to benefit from High Speed 2 and indeed may suffer from High Speed 2 if they are areas that are seen to be disadvantaged in competitive terms. If they are outside of London, Crossrail and the Olympic legacy simply do not apply. So this certainly does not appear as a strategy, I think we have been fairly clear on that, and it certainly is not a national strategy.

Q88 David Heyes: You mentioned the cost of the New Homes Bonus earlier. Again, in my part of the world one of the reasons we have been a Pathfinder area for the housing market is that large amounts of clearance need to take place. We have got through that to some extent and a small amount of new housing is coming through, but we are a long way off from seeing any potential benefit from the New Homes Bonus. What do you think might be done to ensure that does not redistribute money away from deprived areas, like the one I represent?

Kieran McNamara: As it is currently constructed, an area like yours will be disadvantaged. The CEDOS evidence cited Hampshire and Hull as two of our members disadvantaged by the process you have described—quite a large number of clearances and new homes coming in. I think there are other issues with the New Homes Bonus, including the way it is distributed, in particular the split into two tier areas and the percentage that goes to upper or lower tier authorities. There are a number of issues with that particular mechanism.

The other issue is whether it is actually additional money at all. Our evidence highlighted that eventually it is going to be top-sliced, so where is the additionality? There are inevitably going to be winners and losers in relation to that particular resource allocation process.

Keith Burge: I have nothing really to add to that.

Q89 David Heyes: Can I just tease out a little more about the two tier issue? What is the problem with that and what might be done about it?

Kieran McNamara: Under the two tier issue, the districts get about 80% and the upper tier authorities get 20%, yet the highest level of infrastructure costs in terms of service provision inevitably comes at a county level. There is a disproportionate distribution of the funding, as a CEDOS society would see it.

Q90 George Hollingbery: I am a Hampshire MP and I think Hampshire’s estimate of next year is that they will take maybe £6 million. That is in Hampshire across upper tier and lower tier authorities. In relative terms we are not talking about significant amounts of money. It is also true to say that the upper tier authorities will be funding the lower tier authorities.

Kieran McNamara: I have to say, from an economic development practitioner’s point of view, from a CEDOS society point of view, that is not small beer.

David Heyes: I would welcome that £6 million.

Q91 George Hollingbery: But that is across 1.3 million people. Hampshire has 1.3 million people in it; it is a big place. To move on, you have already covered quite a few of the mechanisms that the Government is proposing to draw down money to some of the more difficult and disadvantaged areas and places that need regeneration—TIF and the EZs and so on and so forth. In your submission in particular, Keith, you developed some other ideas for ways these things could be leveraged and used more creatively. Could you just develop that a little further for evidence? Perhaps both of you could give a general evaluation of these different things and where you think they sit in panoply of mechanisms.

Keith Burge: I think that what lay behind it was a concern that mechanisms that appear at the moment are not necessarily going to help more disadvantaged areas. It might be argued that things like TIF might actually work better in the more prosperous areas, where there are greater opportunities for the private sector to get a return. So what is going to happen to facilitate development in more disadvantaged areas? So we were thinking of alternative streams of finance. Perhaps area-based bonds, such as those that exist at the moment in Auckland in New Zealand in advance of the Rugby World Cup, where there is a levy for a particular period of time, is another option. Some credit unions have some quite significant resources but memorandum and articles of association require them to operate in particular ways and not to invest in regeneration schemes as such. They are perhaps the kind of organisation that are wedded to regenerative principles that most people would understand, and organisations like that may have resources that might be teased out into local regeneration schemes.

Kieran McNamara: From our perspective we do see some merit in the schemes that are being put forward. The issue for us is that the detail is not yet available, particularly in relation to TIF and how it is going to operate in a practical way. The other interesting issue is the local government resource review and what is going to happen about the relocalisation of business rates. How are they going to manage the winners and losers?

For me it seems to be a drive towards encouraging a greater emphasis on economic development activity from a planning perspective rather than just houses. From our perspective that is to be welcomed. Clearly, if you drive up your business rate activity, you generate additional income to be used by the authority. That would be a very positive step if that is then utilised to reinvest in regenerative projects.

Keith Burge: Again on that point, it is all well and good saying that you can retain business rates for a period of time, provided you are generating those additional business rates to benefit from their retention. If you are in a disadvantaged area and you have not got LEGI any more and are struggling to promote enterprise, the business support infrastructure has been dismantled and so on, then it is going to be very much more difficult for you as a local area to benefit in the same way more prosperous areas benefit.

Q92 George Hollingbery: Presumably as we move to a situation where business rates are retained locally
to fund local authority funding anyway, as hinted by DCLG. If you have authorities where you have areas within a relatively well-off area, and Hastings would be a classic example, you may well have full funding for business rates anyway. So however much you retain, what you make locally is not going to make a lot of difference. It is going to be redistributed somehow else anyway, isn’t it?

Kieran McNamara: Again, I think it highlights the lack of clarity that I referred to about how these mechanisms are going to work in practice. We still do not know the detail in relation to TIF. The local government resource review has hinted at exactly that—local authorities will effectively be funded through the business rate pool. What benefits those areas that Keith alluded to who do not currently get a net benefit from business rates? The other issue in areas with elderly populations, such as the county I work in, East Sussex, is the ability to generate new business activity is pretty limited due to the population base. It could potentially perpetuate the local government finance settlement that is currently in place. There is a lack of clarity about how this whole process is going to work, frankly.

Keith Burge: To reinforce a point Kieran made there, the ability to retain that and spend it on economic development and regeneration activities, rather than it being used to plug holes elsewhere in local authority finance, is another important point.

Q93 George Hollingbery: Is that not also the case with the New Homes Bonus? It was originally sold to us as compensation for loss of amenity to local people so they would take new homes and new houses and so on and so forth, but actually it is just an un-ring-fenced grant to local government to use for absolutely anything, not for economic development. Is that not right?

Kieran McNamara: That is right.

Q94 George Hollingbery: We were curious about RDA assets. Do you have any comments on those?

Keith Burge: We think it is extremely disappointing that there has not been at the very least a more transparent approach by which the thinking has developed in terms of RDA assets. Clearly there are LEPs and collections of LEPs that might have liked to see RDA assets retained within regions, or at the very least the income that they generate being used to support economic development and regeneration activity in the regions in which those assets are based. Yet that does not appear to be how things are going to pan out—that those assets are going to be disposed of or realised and ultimately disposed of for the benefit of the public purse essentially. Obviously we understand there is a commitment or an obligation to get value for the taxpayer, but perhaps there is a lack of appreciation again of the implications in economic development and regeneration terms.

Kieran McNamara: I would agree wholeheartedly with that.

Q95 Heidi Alexander: Can I just return to something that you said, Kieran, about the current changes possibly being a way of providing more buildings where you can carry out wealth-creating activities? This is not just about homes but about businesses. This always puzzles me somewhat. Do you think there is a lack of commercial space within the UK, and is that holding back UK prosperity and wealth creation?

Kieran McNamara: I do not know about the UK specifically. From surveys that we have done in the particular geographical location where I operate, I know there is an undersupply of business land. I think it is an element of the planning process in that the focus inevitably is around the numbers of houses, where they are going to be built and the impact. There seems to be less of an emphasis on the amount of floor space available for business use and so on than there has been historically. That is an inevitable process around the feelings that are engendered by the need to accommodate more housing. There is not the same rigour in terms of reporting that there is with housing. So housing numbers have to be reported back to DCLG on a fairly regular basis, with numbers of new starts and so on, but that is not the case with commercial floor space at all. So I think there is a weakness there.

Keith Burge: If you look at the headline numbers in relation to commercial floor space you would wonder why anything else needed to be built, given the amount of vacant property that there is. If you ring up any agent anywhere in the country, they will say they have plenty of it. The problem is that all too often it is of the wrong quality in the wrong place. Business needs have changed over the years, and people do not want some of the stock that exists or some of the sites are simply not attractive in development terms. There needs to be a real understanding of what the business needs are and what the occupier needs are in relation to what the market can supply.

Q96 Bob Blackman: It could be argued that Governments of all persuasions have spent billions of pounds on regeneration, particularly on areas of deprivation. Yet after all these billions of pounds have been spent, the same areas are still deprived, have relatively high unemployment, low incomes and potentially serious problems. The Government’s approach seems to be to look at area-based, community-led regeneration. What are the risks with that approach? Are we going to get the regeneration in the right sort of areas or are there going to be areas being ignored that need investment?

Keith Burge: You are quite right in your opening statement, but none of that analysis appears in here or indeed anywhere else that I have seen. If all of that has been a complete failure, then let’s see that is has been a complete failure and the reasons behind that. I do not believe that it all has failed.

Q97 Bob Blackman: I did not say that it all has. I said that is what critics might say.

Keith Burge: That is fair enough. In terms of going forward, it may be that the risk is that things will happen in those local areas where there is the capacity to respond to the opportunities, and nothing will happen in those areas where it does not exist. Rather crudely, it may be that that lack of capacity is more prevalent in more disadvantaged areas.
Kieran McNamara: I think that one of the most disappointing aspects of the document is the lack of reference to an evidence base of what has and has not worked. Certainly an awful lot of work has been done to identify what has and what has not worked in the past. I think that is a major weakness in the document the Government has produced. There is a danger that places will become even more marginalised with the approach that is highlighted in this document. Those areas most in need may well find themselves increasingly deprived rather than improving in any way, shape or form.

There are examples of places that have benefited from the area-based initiative approach. I alluded to a couple of those earlier and so did Keith. I do not think the critics who say the process does not work are right. I have to say that the weakness in this document for me is a lack of evidence about why the approach that is being adopted in here is the right one and on what evidence that has been based. We are always encouraged to operate on an evidence-based basis, I think that is right, but there is not an evidence base to support what is in this document at the moment.

Q98 Bob Blackman: In your written evidence you talk about nimbyism creeping in. What are the risks there for this strategy as it stands?²

Keith Burge: It certainly appeared in ours; it may well have appeared in yours.

Bob Blackman: I am not sure if it was in both, but it was certainly in one of them.

Keith Burge: Once you get down to a local level there is the danger that there is a lack of a strategic overview. What might be good for a very local area is not necessarily good for a sub-region or, dare I use the word, region. Perhaps there is a need to take that broader perspective at times. People will have very particular interests, but whose interests are they representing? Is it a local community who like the way their area is and do not want industrial development that might provide employment for other members of the community or neighbouring communities or whatever? Localism is all well and good, but again there is a lack of clarity in terms of exactly how that is going to work and who the decision makers are.

Kieran McNamara: From CEDOS’s perspective, there definitely was a reference to nimbyism and that was a reference to the Localism Bill, neighbourhood planning and the potential danger we see of people being anti-development. This applies particularly in those communities that perhaps do not feel they need any development for the future, but development in that particular community might be appropriate for a neighbouring community. So this is building in a potential disconnect between communities that might be in the same area. I do not think it is even necessary to look at a sub-regional level, as even within the same town you could have conflicts building up. I think that is not necessarily a positive development.

Q99 Bob Blackman: Turning to the LEPs, do you think they can provide the leadership to enable this area-based regeneration to take place?

Kieran McNamara: Can I kick off on that? I am involved in a rather large LEP. It is about the size of Belgium: Kent, East Sussex and Essex. So one might ask: is there definitely a reference to nimbyism and that is being adopted in here is the right one and on what evidence that has been based. We are always encouraged to operate on an evidence-based basis, I think that is right, but there is not an evidence base to support what is in this document at the moment.

Chair: Does it work better than Belgium?

Kieran McNamara: From our perspective we want to be very strategic as a LEP. That is speaking on behalf of the LEP, and I should not do that, but my perspective is that we want to be very strategic and only focus on two or three key things. Getting into the nitty-gritty, area-based regeneration would not be one of them. A focus on coastal regeneration and wanting to see local communities on the coast work together to develop a solution is something that we would be very interested in. But at that scale, in our context I do not think it is right for a LEP to be that engaged. A colleague in Oxford has developed a phrase about rowing, steering and cheering. For a LEP there are a certain, limited number of things that they can row and actually be in charge of. There are things they might want to steer along the way, and quite a lot of things they will want to cheer from the sidelines. Area-based regeneration in my experience works when it is locally focused and locally driven. I am not sure that is necessarily right at a LEP level.

Keith Burge: One important point that we make in our submission that I would like to reiterate is this idea that LEPs relate to functional economic areas.³ That is an absolute myth. I doubt very much whether there is a single LEP in the country that relates to a functional economic area, and I have certainly never seen any evidence put forward by any of them to support that. I think that yours is possibly the only LEP that crosses a regional boundary.

Chair: Sheffield City Region LEP.

Keith Burge: Yes, in terms of the old RDA type boundaries there is not much cross-border activity, although there are little bits here and there. Certainly nobody has provided evidence for that at all. Essentially there were chats between chief executives and leaders of local authorities, who got together and formed LEPs. That is fine, but let’s not kid ourselves that they are anything other than a political construct; they are not based on any economic evidence. I think Kieran is absolutely right. In terms of community-led regeneration, they have a very limited role and I think they are really looking at big picture stuff and more private sector related activities, and perhaps they do not have a huge amount of relevance within this particular context.

Q100 Bob Blackman: We have mentioned High Speed 2 as a capital project that the Government would encourage and may lead to regeneration. The Government’s view would no doubt be that introducing High Speed 2 would create hubs around the stations and termini to enable the private sector to invest. Do you think that is going to work?

Keith Burge: That may well be an effect that comes about. I am not sure how additional that is or whether it is simply sucking activity from areas that are less well connected. It may well be the enterprise zone effect in another form. Again, there is a distinct lack of real hard evidence to suggest that the purported headline economic benefits will genuinely flow.

² Ev 107.

³ Ev 106.
Kieran McNamara: I think the answer is that we will have to wait and see what transpires. I would put that sort of development in a different box actually. I would not say that it is necessarily about regeneration; it is about infrastructure improvement to the country. I would not necessarily try to badge it as regeneration.

Q101 Steve Rotheram: As somebody who is pretty new to this process, I have found this absolutely fascinating, really interesting and informative. Unfortunately, as I have the last question, a lot of what I wanted to say has already been touched on, certainly in question two. I think I know the answer to this, but I have been given the task of asking it anyway. With regard to the impact of its approach to regeneration, do you think the Government has made adequate provision or should it be doing more? If it should be doing more, what more should it be doing?

Keith Burge: In a sense I will say some of the same things again. A lot of what is in this document is not what a lot of people, certainly our members, would regard as regeneration. As Kieran said, they are physical infrastructure projects. Another disappointment here is how you make things work for local economies, how you connect local people to some of the benefits that may well flow from some of these things, but they are not articulated in this document and I have not seen them anywhere else. The impacts will vary significantly depending on who you are and where you are. Much more needs to be done to maximise the impacts and connect people, especially in disadvantaged communities, to some of the benefits that might flow from some of these proposals.

Kieran McNamara: From CEDOS’s perspective, we would say this is a position statement. What is actually required is a somewhat more detailed strategy for regeneration for the country. This document does not do it, so I think the first step is a proper analysis of what has worked and what has not worked in the past, a very, very strong evidence base and then suggesting appropriate mechanisms for local communities to take forward themselves.

Q102 Chair: One thing we have not touched on at all is European Regional Development Funding (ERDF) funding. I understand that there is quite a bit of it floating around the system somewhere because of the change in the value of the pound against the euro. Are you aware of any possibilities that that might now be applied, or is it the fact that the matched funding has gone away, so we cannot have the ERDF funding either?

Kieran McNamara: The evidence from our members is that it is a matched funding issue. The funding has just disappeared to match fund with the available finance. It is not just an issue of currency exchange fluctuations.

Keith Burge: It seems curious at the very least to our members that there are areas of the country where the Government can double its money with EU assistance, and through withdrawal of its spending it is missing out on the opportunity to leave that additional resource in.

Q103 Chair: Have you any assessment of how much money might be unused that could be used?

Kieran McNamara: We have not. I may be able to get it from our members if you would like me to.4

Chair: That I think would be quite interesting, thank you.

George Hollingbery: I would just like to come back because I feel that we have been a little more brief with you than we meant to be. The questions feel very similar to the ones we asked last week, although there was a different set of experts of course. I just want to ask: are you going to go out of that door now and say, “I cannot believe we got out of there without then asking x” ? I want to know what “x’ is.

Steve Rotheram: What is that difficult question that we did not ask you?

George Hollingbery: Nothing? Good.

Q104 Chair: Just finally before you go, and we will probably ask the next witnesses, who are planners, this same question, but is it all the planners’ fault that things have not worked in the past?

Keith Burge: How quickly can we get out?

Kieran McNamara: I would not necessarily blame the planners. I would describe it as there being some disconnects in the system, such as in terms of some of the examples I gave earlier about the emphasis on housing as opposed to economic development activity. I think there is a real issue around a disconnect between Government and national policy framework down to just a local LDF framework, and ADEPT would say this as well in our joint submission of evidence. There is a missing link there cutting across boundaries, if you like at a sub-regional level, what might be called the county structure plan process. I think that is the missing link. It is not a very popular thing to say, but I do think that is a major issue.

Keith Burge: We certainly would not blame the planners and, by implication, do not see all the remedies within the planning system. Again, there seems to be an assumption that, if we relax planning rules, the private sector will dive straight in there, create all these jobs and regenerate these communities. I think that is a rather naive assumption.

Chair: Thank you very much for your evidence.

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Ev 26  Communities and Local Government Committee: Evidence

23 May 2011  Dr Hugh Ellis, Paul Evans and Richard Summers

Examination of Witnesses

Witnesses: Dr Hugh Ellis, Chief Planner, Town and Country Planning Association, Paul Evans, Director, UK Regeneration, and Richard Summers, President, Royal Town Planning Institute, gave evidence.

Q105 Chair: Good afternoon and welcome. Thank you for coming to give evidence this afternoon and for the evidence you have already given us. For the sake of our records, could you just say who you are and the organisation you represent?

Richard Summers: I am Richard Summers, President of the Royal Town Planning Institute.

Dr Ellis: I am Hugh Ellis, Chief Planner of the TCPA.

Paul Evans: Paul Evans, Director of UK Regeneration.

Q106 Chair: Thank you very much indeed. You probably have a slightly different emphasis on this in the evidence you have submitted to us, but to what extent do you welcome the proposals the Government has put forward in Regeneration to Enable Growth?

Richard Summers: I think it is welcome that there is a framework that was actually workable and effective. Our judgment at the moment is that there is a great benefit to encouraging the evidence base. There is a risk that mechanisms that have more or less attempted to combat deprivation and regional inequalities for example. It is not necessarily that the regeneration and the impact it might have on regional growth supports regeneration.

Dr Ellis: From our point of view we remain extremely reserved about it, particularly in relation to the evidence base. There is a great benefit to encouraging local participation in regeneration but the issues really are pragmatic and about workability and ultimately about resources. Our judgment at the moment is that we would need a great deal more reassurance that this framework was actually workable and effective.

Paul Evans: You will see from our evidence that we were a little more positive. Indeed it was the wonder that we had the document at all that encouraged us. There was a clear sense that, for the last 18 months, regeneration was in danger of being forgotten about entirely. We thought that even four pages were better than nothing.

Q107 Chair: Would it be an unfair criticism to say that regeneration appears as the first word of the document but not much afterwards?

Richard Summers: It is either a combination of the word regeneration or its absence and the word community-led. I think a huge opportunity has been missed here in the proposals for localism and the way they are being translated into regeneration. There is an enormous disconnect between the proposals for local economic partnerships that are business-led at a sub-regional level and the new proposals for neighbourhood planning that until recently were proposed to be mainly resident-led at the less than local level.

There are a couple of areas in the country where planners and economic development specialists are beginning to find ways of joining things up. I speak of Greater Manchester and the West Midlands amongst others. The new local enterprise partnership for each area is producing an economic development and regeneration strategy. The local planning authorities, the constituent parts of the LEP area, are producing a joint strategy or joint core strategies for spatial planning so that there are opportunities for vertical and lateral connection, which can then feed through and feed up from neighbourhoods that are preparing their neighbourhood plans. Without that leadership in the legislation, I think there is a risk that the elements we have will fail to come together to achieve results.

Paul Evans: I would agree with you about the word regeneration, Chair. We spent some time doing word searches on Government documents to see whether it appeared, and very frequently it does not. In our evidence we saw that they may have got the title the wrong way around. It should be How Economic Growth Supports Regeneration. One of the key points we have made, as colleagues have made before, is that the commonly accepted definition of regeneration is that it deals with improving the social, economic and physical conditions of the people who have the least quality of life in those areas. That may be largely as area-based approaches, but it can also apply to individuals as well.

One of the things we are arguing for is that there needs to be that explicit statement that regeneration, which the Olympic Boroughs, for example, described as being about convergence, is an objective that we are all trying to achieve through whatever tools we have in the toolkit.

Dr Ellis: From our point of view it is about pursuing the scale of the risk. As TCPA is such an old organisation, it has the luxury of looking at things historically. I do not think there has been as much of a scale of risk post-war in the way that we organise regeneration and the impact it might have on regional inequalities for example. It is not necessarily that the document is in any way wrong; it is simply that, without any piloting of some of the core elements of it, there is a risk that mechanisms that have more or less attempted to combat deprivation and regional...
inequalities, with varying degrees of effectiveness, are now placed into reverse. The consequences of that could be extremely serious.

Q108 Heidi Alexander: In the last couple of months we have heard some quite senior Government Ministers refer to planners as a “particular impediment to growth”, as the Business Secretary said. The Prime Minister refers to planners as “enemies of enterprise”. Are they right?

Richard Summers: Chairman, we have publically taken exception to these comments about professional planners. We think they are entirely out of place. We are more than happy to discuss criticisms about the planning system, failures that it may have and ways of improving its operation.

Planners are not the enemies of enterprise. They are not the Town Hall bureaucrats who obstruct economic growth. On the contrary, they provide policies that are integrated across areas to promote both growth and regeneration. They provide land allocations to enable commercial and industrial uses to be developed where they are needed. They also provide a basis for coordinating delivery to make sure that things happen, so I reject the criticism. We are only too happy to continue our engagement with Government to help to make the planning system work better than it does and also to help its effective integration with economic development. I speak with 40 years of professional experience in both spatial planning and economic development in the public sector and the private sector.

Dr Ellis: We would support that. Planners have been accused of lacking charisma, and I may be the living embodiment of that principle.

Chair: Surely not.

Dr Ellis: Absolutely. The issue I see is very profound. What has happened is that we have got into reform by mythology. If you look across Europe, and at successful economies in north-west Europe in particular, they have systems of regulation at least as robust as ours if not more. If you look at the economies that are failing, their planning systems are more or less dysfunctional.

The planning process comes from a smart move to attempt to make economies work better. That is where we came from in the 1950s, and that conclusion stands the test of time. We have made mistakes, but the contribution of the planning process post-war has been outstanding to this nation in a whole variety of ways. So the planning process and the planning ideals that lie behind it are still fundamental to a successful economy. More importantly they try to do something that is vital, and that is the mediation of competing interests and objectives in this nation in a way that is in the wider public interest. So planning will be fundamental to this nation. Unfortunately the position we are in now is that we are the only country in north-west Europe without an effective strategic plan for the nation of England at either national or regional level. I spent plenty of time reflecting on that from a totally non-partisan point of view, and every time I think about it it is a breathtaking conclusion, particularly in relation to housing, economic regeneration and, perhaps more importantly, the imminent threat of climate change.

Paul Evans: I am probably the only one at this table who is not a planner, although my daughter is, and I would endorse the comments my colleagues have made. In the end, planning is a tool by which the community, through its political representatives, decides what it wants to do. If it is decided that it does not want any houses built in that village, that is fine and the planning system will arrange it thus. But it is not planners who do that; it is the people who agree and determine the plans who do that—the community.

Q109 Heidi Alexander: There are quite a number of changes that the Government are making to the planning system, whether it be through the Localism Bill or references made to planning in the Regeneration to Enable Growth document. What do you think the accumulative effect of these changes will be on regeneration in some of the most deprived parts of the country?

Richard Summers: I am very concerned that, if you look at the different proposals being brought forward and the measures and organisations being taken out, the financial incentives and the sources of funding now being proposed through the localism process will work in favour of areas of prosperity where there is a property market. They will not work in favour of areas without an operating property market, where values have fallen or demand has fallen away. The consequence will be that, if you take New Homes Bonus as an example, and this also applies to enterprise zones, the areas where there is property market demand will be able to undertake the housing development or the commercial development, and that will attract the funding. The areas of market failure that need regeneration in its truest sense, and we can perhaps reflect on the definition of that, will almost by definition not be able to attract that funding because they cannot support the development.

Q110 George Hollingbery: That is not really true of TIF, is it?

Richard Summers: To some extent I think.

Q111 George Hollingbery: There are many different ways of skinning an economic cat. The rest of what you have said makes a great deal of sense, but with TIF there are different ways you can generate money through that than just through housing and the affordability of housing surely?

Richard Summers: The fundamental point I am making is that, taken across the board, the proposals that have been brought forward and the mechanisms that have been taken out are likely to operate in favour of more prosperous areas and not operate in the favour of disadvantaged areas.

Dr Ellis: The study that we commissioned in conjunction with the Joseph Rowntree Foundation of the New Homes Bonus, housing benefit and housing policy reform supports Richard’s point very strongly. It made comparisons for example between...
Liverpool and South Cambridgeshire on New Homes Bonus, both of which now yield the same amount of money. The New Homes Bonus is also being very thinly sliced; in announcements it is being identified across a variety of issues to support everything from social housing to paying for playing fields.

New Homes Bonus and Community Infrastructure Levy and Section 106 are financially regressive mechanisms. They yield most in high development value areas. Now they always have done so in relation to 106, but the institutionalisation of that principle in the New Homes Bonus is very problematic. Again, as the previous witnesses said, it is top-sliced so there is no additional money here, apart from £200 million from CLG that was in support of planning up until this year. So that is very difficult.

What worries me again, looking back, is that from the moment we instituted urban policy in the 1960s, we have never reached a point where we have created financial mechanisms that risk reinforcing those structural inequalities that have existed in the nation for the last 80 to 90 years. We have always attempted to mediate those conditions. If this is a grand experiment, the New Homes Bonus has a very significant role in reducing those disparities, especially the particularly low-demand areas is profound. What worries me in regeneration terms is that the lesson seems to be that regeneration is a long-haul, long-term investment in communities. The damage that could be done in five to 10 years by a lack of investment could take 20 years to put right.

Paul Evans: We have urged the Government that it needs to add up these numbers. I agree with colleagues there is a tendency for a winner-takes-all process to emerge from this. We need to understand, because the residual role that the Government is holding to itself in this process is really two-fold, one of which—the metaphor it likes to use is a toolkit—is that you have to go through two, three, four or five attempts at a plan before it becomes real. The principal thing that lies behind that is that they have the ability, through their different mechanisms—including, most significantly, the Local Government Resource Review—to decide how much financial capacity those mechanisms yield most in high development value areas. They will yield most in high development value areas. Those of us who have been engaged with questions of local government finance for too many years, as I have, know that there is very little practical evidence that formal land use planning has ever got anywhere. The difficulty with the neighbourhood planning process for a very long time, and we have delivered some of it as well. The difficulty with the neighbourhood planning process outside parished areas is that, even with the amended Localism Bill, it is still essentially insufficient for a couple of reasons. First of all, because it is not democratically accountable it has no corporate entity and it cannot spend any money in unparished areas. So how would it manage regeneration, how would it spend CIL assuming it was there to spend? If it did begin to try to spend money, it would then have a burden placed upon it about whether or not it is accountable, and whether or not anyone has voted for anyone on these forums becomes even more of an acute question. That really does need to be solved. The fundamental question about local regeneration should have been: what is the lowest tier of local democracy we want across England? Sound plans for good community planning and regeneration are then built upon that.

Q112 Heidi Alexander: In terms of the neighbourhood element of changes to the planning system, such as neighbourhood forums and neighbourhood plans, what is your assessment of those in relation to getting comprehensive regeneration schemes off the ground? Do you think it is going to make it easier or harder?

Richard Summers: Initially the idea of a neighbourhood forum was that it would be a group of people who live or want to live in a particular area, and it has a mechanism through the New Homes Bonus for a certain amount of money. That is going to make it easier or harder? Do you think it will help to bring in professional support? I think it will help for a couple of reasons. First, it’s going to grapple with the enormous complexities of regeneration projects at a local level through that means. They will need support from local authorities, Planning Aid and local enterprise partnerships. The point I made earlier is that those elements are not properly joined up to provide the support at the moment.

Dr Ellis: We have urged the drive for community planning is an aspiration that we have had in the planning process for a very long time, and we have delivered some of it as well. The difficulty with the neighbourhood planning process outside parished areas is that, even with the amended Localism Bill, it is still essentially insufficient. The Royal Town Planning Institute’s Planning Aid England service has recently been successful in bidding for the new fund to provide support to the preparation of neighbourhood plans. That will help areas and individuals that do not have the resources to bring in professional support.

I think the role of the forum will be to help bring together businesses in local neighbourhood forums. These groups do not have the skills, experience and resources to produce neighbourhood plans for themselves. The Royal Town Planning Institute’s Planning Aid England service has recently been successful in bidding for the new fund to provide support to the preparation of neighbourhood plans. That will help areas and individuals that do not have the resources to bring in professional support.

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Paul Evans: I would add that the drive for community planning is an aspiration that we have had in the planning process for a very long time, and we have delivered some of it as well. The difficulty with the neighbourhood planning process outside parished areas is that, even with the amended Localism Bill, it is still essentially insufficient. The Royal Town Planning Institute’s Planning Aid England service has recently been successful in bidding for the new fund to provide support to the preparation of neighbourhood plans. That will help areas and individuals that do not have the resources to bring in professional support.

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Paul Evans: I would add one thing to that, which is to reiterate something that Michael Gahagan said to you last time, which is that there is very little evidence that formal land use planning has ever got anywhere. The difficulty with the neighbourhood planning process outside parished areas is that, even with the amended Localism Bill, it is still essentially insufficient. The Royal Town Planning Institute’s Planning Aid England service has recently been successful in bidding for the new fund to provide support to the preparation of neighbourhood plans. That will help areas and individuals that do not have the resources to bring in professional support.

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There are other issues about neighbourhood plans and how they work I am sure, but I would not make that a major point.

Q 113 Heidi Alexander: Okay, my last question is to Dr Ellis. In either your evidence or in the Joseph Rowntree report that you referred to, you referred to some specific concerns about Housing Benefit reform and the Affordable Rent initiative. I just wondered if you could just explain to us what your concerns are about that.7

Dr Ellis: As I said, the report tried to put together the potential changes there are in reductions of benefits, reductions to investment in social housing, and whether or not that created a demographic change. A very quick summary of it, particularly in London, is that the reduction of affordability of boroughs falls from about 70% being affordable now to 40% or 50% next year as a result of benefit changes and then, beyond that, it becomes more acute. One of the important joining-ups on regeneration that the report really highlights is that, if you create major affordability problems through benefit changes on housing, those people will then live in the lower rent areas they can find. That potentially creates an amalgamation of poverty and social exclusion. Every attempt, as a principle of regeneration and planning, has been to try to create mixed communities where there is opportunity for social mobility.

Those kinds of changes are not just in London. They spread out from London, and there is also the issue of where people displaced from London might live. I think we can rightly say that we are desperately worried about the consequences of that in the absence of strategic planning. We are worried about which authorities have to act as receptors for those displaced communities and about the shape of the future of urban regeneration. That is partly because, as I say, we have spent all our efforts since the 1960s trying to avoid that outcome.

Richard Summers: May I just add something to that? I have worked on a number of regeneration projects on the south and east coast of England where there was some evidence that disadvantaged people were being moved out of London either to bed-and-breakfast accommodation or other accommodation in old holiday towns. This was actually adding to the problems of regeneration in those areas. So it might have made things easier in the source area, but it was making things worse in the destination area.

Q 114 David Heyes: Earlier you made the entirely logical point that, if the Government believe in localism, it is right that they do not prescribe too much about how it should happen. Given that, how can the Government ensure their localist approach delivers effective regeneration?

Paul Evans: We have been very clear about this. If you subscribe to the tenets of localism, you subscribe to the view that things will happen in different ways, to different degrees of success in lots of localities. At one stage we said to Government that they must not allow people to utter the words “postcode lottery” any more. That is the antithesis of saying that people have made genuinely different choices about the way they want to do things. That is fine when we are saying: let us use this particular tool to tackle this particular problem as we perceive it, and we are better at understanding it in our locality than you in Whitehall or in the region would be. Where it is less satisfactory is that Government must not abandon their role to understand whether both the financial and other capacities of that locality are up to the challenges of dealing with the problems that it faces.

Q 115 David Heyes: That would be much wider than the DCLG, and localism is their creature, isn’t it? The amount of sign-up from other Government Departments is an issue that could be debated.

Paul Evans: It is quite notable that in the evidence they sent to you, they said that other Departments subscribed to this. I just observe.8

Q 116 David Heyes: Okay, the way you said it was good, but expand on the point.

Paul Evans: As with some of your other witnesses, I have had experience of almost all variants of internal organisation of Government in relation to regeneration. Mostly it lived in CLG and its predecessors. Occasionally, when the Prime Minister was feeling really stern about things, it would be dragged towards the Cabinet Office a little and every other Department was then beaten up by the Cabinet Office and the forces of Number 10 to subscribe to all sorts of things. That led to very, very, very long documents, in which every Department would lay out all of its policies with the word regeneration inserted at strategic intervals throughout. I speak feelingly, having had to be the editor of one of these. That is fine because there is a sense of cohesion around these things.

The real trick is that you cannot trade off at the level in Whitehall between those policies. You can do certain things that prevent them from being antagonistic to each other and you can prevent them from being straightforwardly at cross purposes or doing the wrong thing, but you cannot at that stage decide that in Sheffield or Hampshire the particular combination of those things coming together should be like this. Various other things were done, but it is critically necessary that the Department of Geography, which is what I used to call CLG, and the Department of People, which is DWP, and the Department for Education, which only ever believes in centralisation, should all at the very minimum come together and understand how far they are releasing the boundaries. If you believe that you are instituting localism, in which you are putting your local players in those policy areas into a room and saying, “Sort it out amongst yourselves,” and one or other bits of the central machinery says they can only do it within this framework and report on these 35 measures, then you have lost the plot.

What has to happen is that you have to take a very deep breath and let go, and you do not get any credit

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at Central Government level for the successes. So that is why the politics get a bit messy.

Q117 David Heyes: Your colleagues will want to add to that.
Richard Summers: I am afraid that there is a fundamental difficulty here that the Department for Communities and Local Government and the Department for Business, Innovation and Skills do not speak the same language—it is like Latin and Aramaic—because they come from such completely different points of view. The reason for my comment earlier was to suggest a way in which the present proposals could be joined up, and that was to enable them to dance together more effectively than they do. The previous witnesses were saying that the planners are only concerned about housing and the economic development specialists are only concerned about business. That tells the story for you. There are ways in which these can be joined up and it has been shown successfully in many areas, both at the old regional level, at sub-regional level and particularly at local level. If the local enterprise partnerships were put in a position where they were obliged to consult with the local planning authorities in the area, and vice versa, they could come to strategies and policies that would fit together. They could promote and support projects in chosen parts of the areas and work with the local communities to make it happen. At the moment it is not joined up.

Dr Ellis: I would just add a quick practical example to that. The drive to localism has been clearly set out in the world of planning, but there are some quite extraordinary contradictions appearing. One of these is the consultation on change of use, which removes from local control a vast variety of very, very important planning decisions from local people. That contradiction is in the plan for growth and that desperately needs to be sorted out with the provisions of localism in the way it has been described. What is also interesting about the role of planning in that is that DCLG’s own figures indicate that we have some of the highest rates of lack of occupancy of commercial premises in north-west Europe. In other words, we have plenty of premises out there, so the planning process certainly cannot be blamed for that.

Q118 David Heyes: Earlier you touched on the question of legitimacy of voluntary and community groups getting involved in delivery. Can I get you to expand beyond that, and discuss the broader issue of capacity of the voluntary and community sector to play a bigger role in this?
Dr Ellis: I have to be careful here because the evidence is very variable, and capacity will be a major issue in many of the ex-industrial communities of the north. There is a fundamental issue with parish councils; as an ex-parish councillor, you can love them or hate them, but they are constituted with a chequebook and a constitution and with certain duties. That means that they could take these functions if they wanted to, and indeed the Localism Bill will give them quasi-planning powers of a very powerful kind. For other communities the only real change that has happened in the Localism Bill is that it is no longer three people in a neighbourhood forum; 21 people now need to be in a neighbourhood forum. I come back to this point without having an answer to it, but urban regeneration and urban life is extraordinarily complex, and applying simplistic lines to it is dangerous. Localism has an element of that problem built into it. If 21 people come together in a highly complex area in London with competing groups, how would that group be recognised as legitimate versus four other different community groups who also wish to take that role? Local government is charged with sorting that out and judging between these varying, competing groups and anointing one as a neighbourhood forum. That is fraught with hazard. The great thing about the electoral process is that it would resolve that problem.
Paul Evans: There have been some examples of that in special purpose regeneration programmes, where there has been huge debate as you get to a local area, particularly for something like the New Deal for Communities areas, about what the legitimate representation of the individuals there is. A lot of effort was put in to try to ensure that, whether by electoral process or by some other methods, people came forward in a way that to some degree was representative. It has proved very difficult and I have certainly sat alongside local councillors who say, “Isn’t that what I am for, because people voted for me?” You have to have some feeling for that in that they do actually lay out a programme, or at least their party lays out a programme, which tries to set out what they want to do for the area, rather than having a potentially—and this is where nimbyism comes in—oppositionalist view to something that is being proposed in a particular patch.
Richard Summers: May I add briefly to that? We are led to believe, although it is not clear in the wording of the Localism Bill as it currently drafted, that neighbourhood plans should be in conformity with the local plan—the local development framework—and that they should also only propose development that is additional to the development that is proposed in the local plan. The Royal Town Planning Institute wants the wording of the Localism Bill to be tightened in those and other respects. That is an example of how greater clarity is needed to enable these arrangements to work. A further one is to make sure that the neighbourhood fora consult everybody in their area, their adjoining neighbourhoods and the local authority in whose area they are operating to make sure that they are working, if not all on the same wavelength, at least not in opposition to one another.
Paul Evans: One of the striking things in quite a number of regeneration programmes is the extent to which local effective activity has been mobilised by saying to people that it is their patch and they need to do something about it. Groups of people come together and some strikingly successful individuals have emerged from that process, demonstrating that there is capacity to be found in these places on all sorts of occasions. That does not quite deal with the legitimacy and accountability point, but I think there are surprising levels of capacity to be found in some areas about tackling some problems.
Q119 Chair: That leads nicely on to the issue of skills and capacity. Last Parliament we did an inquiry into planning skills and concerns over those. Also reference was made to the fact that, in a fairly short period of time, you are undoing years of work and it may take another 20 years in regeneration terms to recover from that. Is there a concern now over the people skills in the regeneration business, both in the public and private sector? We might lose what has been built up over a period of time and it would take an awfully long time to recover.

Richard Summers: Chair, there is a very serious concern about that. We are seeing the experience and skills of the people who worked for the Regional Development Agencies unravelling in the same way that we have seen the strategic skills of the people who worked for the Regional Assemblies unravelling. It will be difficult to find those skills and bring them together again. I am sure people will come forward if the need arises, but there is a great depth and richness of experience across the country dealing with the whole range of issues that we have been discussing, not just the development aspects of spatial planning, not just the growth aspects of regeneration but a whole range of issues including skills, local community wishes, environmental concerns, climate change and the rest. There is no way I can see that the majority of those skills will be retained or their experience fed into the arrangements for the new local enterprise partnerships and the new neighbourhood forums.

Dr Ellis: We are equally worried about the loss of skills, particularly when funding becomes even more challenging. An example of that would be that, if you are serious about significant regeneration or trying to put in CIL, Section 106, New Homes Bonus, or matched funding perhaps for a regional project or another third sector source, that seems to require almost the highest possible skills base in those places that need it. From everything that we are seeing that is being lost at quite a breathtaking rate.

Paul Evans: I recognised this and made some comments on it in our evidence. I would slightly change the terminology because yes, there are skills and there are people and they are valuable and they know stuff. But there is also a substantial body of semi-formal experience and knowledge that is at risk of being lost. Partly that is because of the speed of change, partly because of the fact that many of the bodies were not fully within the public system and subject to the normal statutory duties about retaining information and so on. We have taken some steps and will be talking to colleagues across the sector further about whether we can provide some places, and particularly electronic resources, where people can bring this knowledge and skill together. We do have to find ways to make use of individuals’ skills, because as well as this being a moment when there are significant shocks in the system, it would in any event have been something of a generational change. Perhaps that is simplistic, but the urban regeneration community is building itself up over roughly 30 years as a working lifetime and quite a lot of people, even without these changes, would probably have moved on. We know from the work that was done previously that there has not perhaps been a build up of those replacement skills in younger people and people who are learning their trade as they go along. A gain that would be more difficult, but it is something that we all have to look at to see how we can make contributions to capture particularly the best practice, and even the worst practice occasionally, and transmitting it.

Q120 Chair: Is this problem part of the private sector as well? Is there any evidence that we are losing these sorts of skills in the private sector as well as in the public sector?

Richard Summers: Certainly. It goes without saying that in a recession where the rate of development and the property market is contracting that there is less work around for consultants to do, and the consequence of that is that the consultants are losing their jobs and the same kinds of problems apply. Regional Development Agencies and Regional Assemblies were significant sources of consultancy commissions for the private sector. They no longer exist and the funds in the programmes are no longer available to commission work.

Dr Ellis: I agree with that.

Paul Evans: I think the development industry is more used to mobilising skills around projects. Typically in a development company you would have a relatively small core, which is then brought together with expertise from elsewhere. Clearly, if that wider network of expertise is thinning out, that would be more difficult, but in terms of project focus, given that there is less to do, there would probably be enough people to do it. But that is not a good recipe for the future; we should have a much more solid base of knowledge and experience that is maintained.

Q121 Bob Blackman: The Government will be saying that the New Homes Bonus will lead to the development of more housing, that the Community Infrastructure Levy will enable the structure that we need for regeneration to occur and that the possible retention of business rates will encourage local authorities to develop businesses. Taken overall, what do you think the impact of these three particular possibilities is going to be on regeneration?

Richard Summers: I do not think that the impact will be sufficient to deliver the scale and complexity of regeneration that will be needed. I think that need is going to get more important as the recession continues and as public spending cuts bite. There is a logical non sequitur in these propositions, which goes back to the criticisms of the planning system. There have been claims that the rate of house building, and more recently the rate of construction of commercial and industrial premises, has slowed down as a result of the complications of planning policies and planning control. Actually, we are in a recession; the development industry is in slack, so no wonder there is a slower rate of development. As I said before, that applies to many of these mechanisms that are now being proposed. If development projects are not coming forward because there is a lack of demand, there will not be the Community Infrastructure Levy contributions, there will not be the Section 106...
planning agreements and the other sources of funding. I remain to be convinced that the New Homes Bonus will have a sufficient effect on bringing forward development if the market is not there. **Dr Ellis:** For reasons that I covered earlier, I think the New Homes Bonus is very problematic. Fundamentally neither the New Homes Bonus nor any of those other measures have any direct relationship with regeneration necessarily. They are all funds that could be used for anything. The New Homes Bonus is much more likely, certainly in those authorities that are struggling, to be used to support core services than it is to be used for regeneration. So far I know of only one example, in Blackpool, of New Homes Bonus being used as a regeneration initiative. It may well be that there are others but the yield from both of them, as we have already established, is regressive. So in that sense the scale of the challenge is going to be difficult. Liverpool lost £110 million housing market renewal in area-based grants, it loses a top slice off its direct grant and receives back by year six only £5.2 million.

Now, if you look at some of the other places, like South Cambridgeshire, they will see the New Homes Bonus as a very powerful driver and they will be able to do some very positive things with it. But it will not be regeneration, and that will be the issue. In terms of CIL and Section 106, we are also quite worried about that. Those are partly regressive as well, but we also need to ask what the purpose of Community Infrastructure Levy is. Is it providing new infrastructure for new development? Is it an incentive to get communities to accept development? The Government seems to be evolving CIL into creating a percentage to come from that. I certainly know the private sector is concerned that, if you slice too much off CIL, you cannot produce the infrastructure that you need in the first place.

The additionality question is important, which was a point made powerfully by your previous witnesses, but it is also very important to us. If communities want to accept development, the idea was that their public services would be sustained and enhanced through new and additional money. If none of this is new or additional money but money removed and reallocated, where is the additionality that might help people change? So you even face the potential perverse outcome that southern authorities could build less housing and get more out of the New Homes Bonus. The New Homes Bonus is not related to strategic planning at any point; it does not connect to the planning anywhere. So all that Liverpool can do is walk away from urban regeneration and look to greenfield sites on its periphery, hypothetically, in order to maximise its receipts from the New Homes Bonus to spend on core services. Now that may be a nightmare scenario, it certainly is for me personally, but that would set regeneration ideas back almost 60 years.

**Paul Evans:** The impact assessment on the New Homes Bonus suggests that it would make a difference of less than 10% in the total volume of house building in the country, as I remember. It is about growth and development; it is not really about regeneration as we began to define it at the beginning of this conversation. There will be conjunctions, whether it is Blackpool or somewhere else, I do not know, where new development is possible and desirable and then generates some money that can be devoted to things that we would call regeneration.

This is why I go back to the point I made earlier, which is that the sum of all of these effects needs to be mapped and modelled so that we understand what is going to happen and where the benefits are going to come about. Leaving aside this shock to the system from the deficit reduction programme, if you were drawing in a straight line along from future funding we need to see whether those things will allow people to take decisions that they can then see are in the benefit of their areas and do produce some money to deliver services. The problem is that, however you make the system come out with rather difficult regulations and complications, it is all fuelled by the growth of the land value underneath the developments that you are promoting. If there is no growth in the land value underneath the developments you are promoting, it does not matter how many ways you call it or cut it, you have not got anything.

**Q122 Bob Blackman:** In your written evidence you are calling for much more assessment to take place. What sort of assessment and how detailed do you think this has to be?

**Paul Evans:** I would just take a little table really that says: in year two, beyond where we are now, there would have been this much to start with; now we have added these things, and there is this much left over and trying to do some of it, and if you do some calculations on the New Homes Bonus, what effectively happens is that a small number of places where a very large number of homes were built a couple of years ago win very big, and a large number of places lose relatively small. That is the nature of the arithmetic; one gets a lot and it gets top-sliced off lots of other people. Now in the big scheme of things, with the numbers you were quoting about other sources going away, maybe we are worrying too much about this and dancing on the heads of pins. But it is one of the key tools that has been offered. Now we should just accept that it is an incentive to build more new houses in places where more new houses are needed and that will not necessarily produce estate regeneration in Middlesbrough or wherever.

Now, you may be coming on to this but it comes out at this point: we need to understand the total picture on housing much more clearly than we do at the moment. There are two or three major things, which colleagues have partly referred to, in relation to the changing of the social housing structures and the changing of the social housing funding. I do not see how it all comes together into a picture that will deliver estate regeneration. Separately I chair a local social landlord. We were lucky; we got the HCA to put the money in the bank the day before the financial year before the change of Government. If we were trying to do it now, we would be in much more difficulty because the models are in some difficulty. You can take a political view, as no doubt some of you will take, as to deficit reduction trumping regeneration
need, or whatever the balance is that is going to be struck, but I think it should be much sharper and clearer as to what the choices are.

Q123 Bob Blackman: I visited Liverpool quite recently and I saw large areas of housing that might be useable—I do not know. I do not pretend to be an expert on those houses, but clearly they are boarded up and not being used and there is a problem there. Do you think the Government has it right in this respect? What changes need to be taken to get those houses either cleared and replacement housing put in place or brought back into use if it is possible?

Dr Ellis: The structural problems that Liverpool faces require large-scale, comprehensive redevelopment. There is no reason why the governance of that cannot be strongly community based but it requires major public investment and major public-private partnerships. Whether you think the previous attempts at regeneration were wrong or right, the attempt to understand housing markets and restructure housing markets was an attempt to solve that problem. If you turn that process off halfway through, the grating of the gears in places like Liverpool, where the money was an attempt to solve that problem. If you understand housing markets and restructure housing at regeneration were wrong or right, the attempt to make partnerships. Whether you think the previous attempts to require large-scale, comprehensive redevelopment.

Q124 Bob Blackman: Okay. I just want to move on to the private-sector investment. The Government would say that they are creating an environment through tax increment planning and the LEPs where the private sector will come and invest. Is that sufficient to make the private sector invest? What else does the Government think it needs to do?

Dr Ellis: If you take Liverpool as a case study, the previous witnesses talked about basics. There are basics in Liverpool about infrastructure provision that you would need to get right that require strong investment. TransPennine Express, rail grades to the port, all sorts of investment that is really basic in terms of the operating of England as an effective place. All of that needs to happen, as well as the kind of market restructuring that you would need to make to put that in place. Liverpool is quite a success story up until now at achieving quite a lot of that, as you can see from the regeneration that has already taken place. I honestly cannot see—not because it is not there but the evidence might not be there—that what we have lying on the table right now on locally based regeneration deals with any of that, or that there is an overall narrative across Government Departments that that investment would take place, and that requires a narrative for England. That requires a whole range of infrastructure plans and different programmes to be joined up to create a vision for England at least over a 50-year period and a spatial plan to back it up and deliver that kind of change. The one point that is really important, and was nailed by the Royal Commission on Environmental Pollution before it was abolished earlier this year, is that, even if you think it is a good idea to build and concentrate new development in the south east of England around the golden arc of economic growth, you have a problem. That is that, for example, you do not have enough water; you do not have enough basic infrastructure; and you do not have enough environmental capacity to do it without limit. You can certainly do it to some extent, but you cannot do it without limit. So putting all that together means that we have to make England work as a whole.

Richard Summers: Can I add to this about the Government’s proposals for a national planning policy framework? The RTPI has been campaigning for a national spatial plan for a long time, and we are very pleased to see something beginning to appear. We are concerned on a number of points, two of which are foremost. One is that it may not turn out to be spatial—the geography of where activities and investment need to happen in relation to one another, so that you have houses and jobs occurring in the right place and transport joining them up. We are also concerned that there will be a less-than-comprehensive spread, and Hugh was quite rightly talking about the economic dimension of this. If it is only a national planning policy framework in the way that Government thinks about it—putting it in separate boxes—then there is not any indication at the moment that it will be connected to the idea of rebalancing the economy in areas that we used to call regions, dealing with the issues of social equity and disparity. There is huge opportunity here that could be taken to make those connections to set the context for what the Government sees happening at the local and neighbourhood levels. I hope the Government seizes that opportunity and takes it forward.

Paul Evans: I would subscribe to some of that, although I would not necessarily say that it has to be captured in a single national plan. If you characterise both planning and regeneration as, in effect, trying to stop the market doing what the market wants to do and make it do it somewhere else, which broadly speaking is what we are about, the fact that you have written a rather nice plan with some diagrams that show that you would rather have things in the north of England rather than the south does not necessarily cut it. As I am very old I keep teasing people by using words like industrial development certificates and office development permits and things, but I do not get any traction on that. What is it that would actually mean that we would get a genuinely different approach to the attractiveness of places for investment in different parts of the country? I think there are very deep-seated issues around that, and there are very deep-seated issues around the fact that we are an astonishingly slow country in terms of refreshing and renewing both our public and our private infrastructure. I depress myself sometimes by doing calculations that show that, at the current rate of building, every house that we all live in has to have a life in excess of 1,500 years, because that is the rate of rebuilding that we are into. On the other hand we are capable of making very radical moves on some occasions. The new towns were perhaps one of the great triumphs of TIFs before
their time almost, because they paid off their money 35 years early. There are bold steps that could be taken that might make these larger geographical differences. I notice that Julian Dobson did pose the very hard questions that most regenerators get to at some stage about whether there are some places that you cannot actually get to. He quite reasonably said that there are no such places, but you have to recreate and link them to a different way of thinking about economic change, development and localising the growth. So it is not about relocating large steel plants; it is about making sure that the local economy of these places works much more effectively.

Q125 Bob Blackman: I have one final question. There was a challenge at the beginning about whether planners were in the way or not. Richard and Hugh, could you give me one example where planners have aided and abetted a regeneration scheme and made it happen, to demonstrate that planning is important in this process?

Richard Summers: Just to take one scheme off the shelf, I would think of Hartlepool in the north-east, where significant regeneration was achieved in an area where basic industries, including shipping and port activities, were declining extremely fast. The private sector worked with the public sector through the regeneration mechanisms and the planning mechanisms of the time to secure redevelopment and renewal of the city centre and the harbour area. That was almost against the economic trends of the time. So it can be achieved, and I could suggest a number of other examples too. Hugh has probably a string of them.

Dr Ellis: Well there are certainly many inner-city regeneration schemes in places such as central Birmingham that are real tributes to regeneration and planning working together. Let me make one point about the divided nation. We essentially have two planning systems in the UK: one for the south-east and one for the rest. I remember with planning in the north you could almost get planning permission for anything anywhere in most of the ex-industrial north. One example would be the MEGZ just south of Sheffield in north Derbyshire, which is a huge inward investment site that is largely still unoccupied.

Planning is not in the way; it is sitting there saying that it has allocated all of this, there is nothing on it that is a restraint, most of it has been decontaminated and there are still issues about development. What we have to deal with is the fact that, while we are struggling with all sorts of other issues in the south-east about congestion, we have all this opportunity. It is very positive opportunity and would also solve all sorts of other very profound social justice issues. You could happily build five new towns to a very high standard, and I can think of places to do it. As you rightly say, they do not cost the state anything as they pay for themselves. All it requires is to have a vision for England that makes it happen.

Paul Evans: I would not easily separate out the contribution of the wider regeneration processes and planning in those places being successful. I would say that we should not be too downbeat about the fact that over a period there have been successes in a number of places.

The history of regeneration policy is by and large that we have tackled the last shock and maybe we have tended now to be in a position of fighting the last war rather than fighting the next one. In the end, things like Urban District Councils (UDCs) did actually mean that quite large blank areas of land or areas of land that were decaying did gradually come back into use. It takes a long time; it never happens as quickly as people think it should. We looked at a number of SRB projects, and they made some impact, particularly on the social and economic quality of life in some places. I think we are worried about these larger forces at the moment. If you have a reasonably prosperous town and you have one place in it that you think you need to do something about, the chances are that you will still be able to do something sensible about it. It is when you are fighting both the local and the more spatially widespread, ranging up to national forces, that you are really going to be fighting a difficult battle.

Q126 Steve Rotheram: Without that vision or that strategic plan that you just touched on, how do we address the demonstrable mark of failures in areas such as Liverpool? You mentioned the Housing Market Renewal Initiative (HMRI) programme, Bob, and I know you went to see it but it is good to actually tease out a case study, because you can physically go and see the result of the policy the Government are introducing on areas like Anfield and Breckfield. How do we address that when the private sector simply will not take the risk?

Dr Ellis: It is very difficult, and I return to the answer I gave earlier: you cannot redress that market failure without a very strong partnership with a public-sector initiative. It would be great to be able to find a get out of jail free card for the current environment that said that there was another option, but the private sector has removed itself from Liverpool for various reasons and the public sector has filled that gap to some degree. It seems to me that drawing down the public sector in that environment creates what I would regard as an element of US-style policy. That is the ultimate fear: you end up with the hollowing out of cities. In the 1960s that was a very real fear here and there is a lot of literature about it. I am not suggesting that you end up in Detroit, where you reintroduce agriculture to the central area of a major urban city, but they have lost upwards of 50% of their population. In an area as confined and small as England, you cannot afford for that to happen. There cannot be anyone left up the mountain. All urban areas have to be made to work. That is not just from a social justice perspective but just from a workability, pragmatic and economic perspective about how England operates. So unfortunately at some point we will have to have a return to the issue of large-scale regeneration in Liverpool.

Q127 Steve Rotheram: There is a very good book by somebody called Michael Parkinson that I would recommend.

Richard Summers: We have some very serious questions about funding these regeneration projects, whether they are small and local or large and complicated like Hugh has been mentioning just now. I saw reference in the proceedings of the Committee previously about gap-funding. That helped to bridge the gap between what was viable for a developer and what funding was available from the value of the land and the cost of the development. That mechanism was narrowed by the state aid rules of the European Commission for good reasons but with difficult consequences. Some of the Regional Development Agencies in recent years have begun to find ways of forming the public-private partnerships Hugh was referring to that would help to bridge the gap without crossing the state aid rules. We need the financial resources to do that, we need the mechanisms to do that and we also need the professional skills to make it happen.

Paul Evans: I just want to say that, if there was a magic bullet, I think we would have all been very pleased to have found it by now. I would go back to my point about adaptation. The skill we have to acquire is to get the rate of adaptation of places to either short-term economic shocks, such as the coalfields and the ports, or to these long-term twists of the economic fortune of places, so that we get the adaptation to work continuously. We tend to think that regeneration is a thing that you do and then it is done, and it is actually the permanent business of adapting places successfully.

Richard Summers: Good point.

Q128 Chair: Putting yourself in the place of a tabloid editor, if you had one short phrase to attract your readers’ attention to describe the Government’s regeneration document, what would it be?

Richard Summers: It is not joined up.

Paul Evans: It is a work in progress and they need all the help they can get.

Dr Ellis: I would support that view.

Chair: Okay. Thank you very much indeed. It has been a very interesting session.
Chair: Good afternoon and welcome, both of you, to the third evidence session of our inquiry into regeneration. Just to start off, could you introduce yourselves, and say who you are and the organisations you represent?

Tom Flanagan: My name is Tom Flanagan. I am the Corporate Director for Environment, Planning and Economy in Cornwall Council.

Allan Haile: Alan Haile. I am the Assistant Director of Economic Development in Cumbria County Council.

Chair: Right. Thank you both, and thank you for the evidence you have submitted to us so far. Looking at your evidence, it appears that you are for the evidence you have submitted to us so far.

Q129 Chair: Good afternoon and welcome, both of you, to the third evidence session of our inquiry into regeneration. Just to start off, could you introduce yourselves, and say who you are and the organisations you represent?

Tom Flanagan: My name is Tom Flanagan. I am the Corporate Director for Environment, Planning and Economy in Cornwall Council.

Allan Haile: Alan Haile. I am the Assistant Director of Economic Development in Cumbria County Council.

Chair: Right. Thank you both, and thank you for the evidence you have submitted to us so far. Looking at your evidence, it appears that you are perhaps not 100% comfortable with the Government has produced. Perhaps you could just identify your concerns about it, and say what you think is missing and should be added to it?

Tom Flanagan: From Cornwall’s perspective, we are fully in line with and fully support some of the main principles behind the paper, in terms of localism, rebalancing the economy, investment in low-carbon futures and incentives around affordable housing and eco homes. Our issue is that we would like it to be even more ambitious, in terms of devolution of powers and responsibilities. Since we became a unitary authority two years ago, we have had the mantra, “not a big district but a small country”, so it is nice to come to England to talk about regeneration today. That is the ambition.

Ambition is the byword, and we look with envy at some of the city region responsibilities that have been devolved to London, Manchester and Leeds, and, as we have said in the submission, we would like Cornwall to be a non-metropolitan exemplar of what can be done in terms of devolution, in particular to support economic regeneration. We have a few years left of the convergence programme; we are looking ahead towards transition post-2013, and we would like to build a sustainable future. Further powers would help us do that, so we are very keen to see what the implications of the Localism Bill mean for Cornwall.

Allan Haile: Some similar issues, really. In principle, the intention to have regeneration at the heart of economic growth is a principle that we have been signed up to for many years. I suppose we are a little bit concerned about some of the proposals and initiatives, firstly because they are untried and untested in England, but we also feel that they are likely to be more successful in areas where there is greater potential for economic growth and job creation, and not so successful perhaps in areas like Cumbria, where there is some market failure.

Q131 Chair: My colleagues will come on to the specific details of what you might want to see, so without going into the details, when we have had Government Ministers in front of us before, a point they have sometimes made to us is that they do not very often get Local Authorities knocking on their door and saying, “This is a list of things we would like to do if you gave us the power to do it.” Have either of you so far done that with Government and, irrespective of what we might do with our inquiry, would you be intent on doing that, if you have not already done it?

Tom Flanagan: Yes, we certainly have. We did it as part of the LEP submission; there were a series of asks of Government as well in the LEP submission. We made certain proposals in terms of Tax Increment Financing, in terms of using the whole process of rebalancing the economy, and savings in public expenditure and revenue terms, to reinvest in the economy. So we are very interested in some of the innovative funding mechanisms that might be coming through to create an investment fund for Cornwall. We made a number of those submissions. We would like to de-trunk the roads in Cornwall, take the responsibility back from the Highways Agency and develop an integrated transport authority, as exists in metropolitan areas, because connectivity in a peripheral area like Cornwall is key to the economy going forward. We have made a number of proposals and we are very keen to follow those through.

Allan Haile: We obviously set out our intentions in the submission to form the Local Enterprise Partnership, but as such I do not think we have made any suggestions similar to those that have been made by my colleague here.

Q132 Mark Pawsey: Gentlemen, the term “regeneration” is more often identified with urban areas, where you have an area where land is being re-used or put to an additional use. How does regeneration relate to a rural environment?
Tom Flanagan: In Cornwall’s case, Cornwall is hovering around 75% of GVA—gross value added—which is why it has convergence support from the European Union. That means that it is lagging behind, and there are a number of reasons for that. In the past, it has been through a transitional journey from Objective 5b through to Objective 1, and now through convergence, to lift it up into the mainstream of economic activity. The key issue around regeneration is to make a contribution to the economic prosperity of the country and the opportunities that exist in areas like Cornwall. We have had the fastest growth rate of any area outside the City of London over the last decade, but we are still hovering at around 75% of GVA. The opportunities to grow the economy by focusing regeneration on urban areas, but also certainly rural economies like Cornwall, are very important.

Q133 Mark Pawsey: You have used the term “economic growth”. In what respect does regeneration, as far as you are concerned, differ from economic growth?

Tom Flanagan: I think regeneration supports economic growth; investment in higher education is an example. We were losing a lot of talent from Cornwall that was going to universities outside the area, so, for example, we have invested in Combined Universities in Cornwall, a partnership of higher education and further education institutions. That has allowed us to keep talent within Cornwall, to build a skills base and to support local businesses. The biggest growth in jobs in Cornwall over the last decade has been in advanced manufacturing, which may be a bit surprising, given our rural and tourist economy.

Q134 Mark Pawsey: Can I go back to why that is regeneration, rather than just looking at the economic growth of an area? What is the difference, as far as you’re concerned?

Tom Flanagan: Regeneration supports areas that have had structural failure in the economy. In Cornwall, in terms of its mining industry, its fishing industry and its rural economy, there have been structural failures in the economy. Regeneration has to overcome those structural failures in order to then achieve economic growth. That is a journey that Cornwall has been on.

Q135 Mark Pawsey: Are there some areas of Cornwall that do not need regenerating and are happy, and patches where regeneration is necessary?

Tom Flanagan: There are certainly patches where regeneration is necessary; we have an urban regeneration company, for example, in Camborne, Pool and Redruth. There are more affluent areas, though, where there are a lot of second homes, but that in itself creates a problem around affordable housing.

Q136 Mark Pawsey: And the issue in Cumbria?

Allan Haile: We are in a similar position to Cornwall, as far as GVA is concerned. We have a slightly better position. We are not a convergence area. We are regarded as part of the competitiveness programme, as far as European funding is concerned. A lot of people forget the reliance that there is in Cumbria on the manufacturing sector. A lot of employment, and a lot of our GVA/GDP, is based around manufacturing. To some extent, it is difficult to separate out the rural regeneration issues from some of the more urban-style regeneration issues, because the two things are so interlinked. The people from the rural areas travel into to the towns for work, etc. However, there are some further significant issues in the rural areas that are not always as transparent as they are in the towns and the more urban parts of the county, simply because they are very much dispersed. The loss of access to services, transport issues, the loss of shops and libraries, etc, have a very major impact on the economy and on life in rural areas. Regeneration to try to address those things through community/voluntary social enterprise sector is a key part of regeneration in Cumbria.

Q137 Mark Pawsey: Tom made a very early bid for additional powers; he mentioned de-trunking roads and perhaps more autonomy. What would you like to see in Cumbria that would enable you to tackle this issue of regeneration effectively?

Allan Haile: One of the things that are perhaps missing from the package at the moment is recognition that in areas of Cumbria where there is market failure, you still need to provide support to create the infrastructure to enable businesses to grow. The difference between cost and value of property, for example, is very significant. There also needs to be a long-term approach, and we feel the Regional Growth Fund is a very short-term, quick-win approach to dealing with growth. We think, in an area like Cumbria, there needs to be a more holistic and longer-term approach.

Q138 Mark Pawsey: But isn’t the Regional Growth Fund targeted more at economic growth, rather than specifically at regeneration? Would you like to see it focus purely on regeneration?

Allan Haile: I would not like to see it focus purely on regeneration, but it would be useful if it did. The other thing about job creation without some other activity is that you can create 100 jobs tomorrow in an area, but it is not necessarily people who are unemployed in the area who will benefit from that. There needs to be work done to help and assist those people in being ready for work. Indeed, social enterprise and the voluntary sector are very good ways of helping that happen.

Q139 Heidi Alexander: Mr Haile, I think you have mentioned a couple of times the community/social enterprise/voluntary sector and, of course, the Government’s document is referred to as being about community-led regeneration. I just wonder what your assessment of that document is, in relation to its community-led credentials, and whether you see something in that document that is going to fulfil the aspirations of people in Cumbria.
Allan Haile: I have a mixed response to that. In terms of community involvement in certain rural areas, that is very significant. I think the demographics of some of the rural areas help form social enterprise and community involvement in helping the locality grow and improve. In other areas, though, that is not the case. There are some parts of the planning system that we have concerns about; the community plan system is fine, but without a strategic approach to planning within an area, we think there may be weaknesses, and there could be significant concerns about nimbyism built into that.

Q140 Simon Danczuk: You were talking about patches that needed regeneration, and about structural failure; you were making a distinction between regeneration and economic development, and... 

Tom Flanagan: The issue is that regeneration can support private investment, and that is the experience we have had in the urban regeneration company area—Camborne, Pool, and Redruth. It has taken a lot of public investment from the Homes and Communities Agency, the Regional Development Agency and the council actually to get things off the ground, but now we are ready to encourage private investment in the area. For example, the Innovation Centre in Pool has exceeded its targets, in terms of private businesses going into the managed workspace there. The public sector has to create the climate and the opportunities for private sector investment to come along, and that is the whole purpose of involving the public sector: to de-risk a lot of the issues where the private sector will not take the risk in the early stages.

Q141 Simon Danczuk: Yes, that is a good point. In the Government’s proposals for financing and funding regeneration, is there the ability to do what you have just described? 

Tom Flanagan: One of the key worries for us is the loss of the RDA single pot, because that created a lot of investment opportunities and also match-funded the European funding, particularly ERDF, which created a lot of the infrastructure to allow private sector investment. It is that gap, in terms of infrastructure provision, that we are quite concerned about. We are interested in whether the Community Infrastructure Levy, the New Homes Bonus or Tax Increment Financing can actually fill the gap. We are not certain about that at the moment and, obviously, capital programmes across all Departments are being reduced. The Department for Transport feared probably better than most in the Comprehensive Spending Review, but nevertheless there is a reduction in the availability of funding, and connectivity is a key issue for us around infrastructure.

Q142 Simon Danczuk: Allan, on that, your Cumbria submission, in terms of finance and funding in the proposals, was quite sceptical about the Regional Growth Fund meeting the requirements, or the New Homes Bonus being helpful or applicable in Cumbria. What is your view? 

Allan Haile: We have exactly the same issues as mentioned previously. As I mentioned at the very beginning, things like the New Homes Bonus, Tax Increment Financing, etc., are all new and untried. In our view, we have concerns that they might be effective in areas where there are greater prospects for growth than there are in Cumbria, where we do suffer from market failure. As in Cornwall, any development that has taken place has had to be kick-started by the public sector in the past. I think everyone recognises that funding has to be reduced, but the loss of funding in the way that we have lost it will mean that it is very difficult to undertake those activities in the future because the Regional Growth Fund is not there to do that. It is there to give money directly to the private sector. I do not have a problem with that, but in terms of addressing the market failure issues, there is a gap.

Q143 Chair: Can I just make a point about ERDF funding that I think probably just applies to Cornwall? You talked about the need for match-funding; do you actually have ERDF funding that is sitting there now and that you cannot use because you do not have the match-funding to go with it? 

Tom Flanagan: Not so far. One of the initiatives that the council has taken is to put in place a £40-million capital programme for economic development, but we are conscious that with the RDA single pot going, as we come towards the end of the convergence programme, there may be gaps in the programme. The last thing we want to do is to hand funding back to Europe.

Q144 Chair: Because there is a national problem, isn’t there, of under-spending ERDF? 

Tom Flanagan: Yes.

Chair: But you do not have that at this stage? 

Tom Flanagan: No; we are over our targets, in terms of “N Plus 2” on ERDF, so the programme is proceeding well at the moment, but obviously there is that risk, as we head towards the end of the programme, that some things may fall off the edge, and that we will have to give some money back unless we can marshal the match-funding.

Q145 Bob Blackman: Clearly there are going to be limited resources; I think you both recognise that issue. Equally, in my view, the key to successful regeneration is levering in the private sector. Are there any particular tools that are not in your armoury at the moment that you would like to see? Anything from you, Tom? 

Tom Flanagan: Yes, one of the things that we are looking to do is examine the opportunities through the Localism Bill, in terms of new sources of funding. For example, at the moment, we have a 10% discount on second homes in terms of council tax. One of the other things we are considering doing is holding a referendum to remove that discount or even add a surcharge on second homes, so that we can develop a funding stream there for investment. The other thing...
is that Cornwall obviously has a population of 500,000, but in the summer that expands to 5 million, which places a great pressure on infrastructure. It is unfair to ask the Cornwall council tax payer to fund the burden completely of providing for that infrastructure. Cornwall at the moment has 26 million visitor nights per year. If you put £1 per head per bed in terms of visitor nights, that could raise £26 million per year, which again could go into investment, so we feel there are funding opportunities if we are given the freedom to do that; it is really exploring what the general power of competence means as part of the new Localism Bill.

Allan Haile: I mentioned earlier that one of the missing things is the ability to provide the gap funding that is required to assist the private sector to develop and that addresses the cost versus the value of property. That is a serious omission at the moment and it is one that will be difficult actually to address. The other thing that is missing is the long-term approach; we cannot really see within the current proposals that there is a long-term approach to regeneration. We fully believe that there is a need for a long-term and holistic approach.

Q146 Bob Blackman: Are there any lessons from the past? Given that we are in a time of very restricted resources, are there any lessons from past experience that you think you can bring to the fore that we could learn from and roll out to other parts of the country?

Tom Flanagan: I think it is this issue of risk transfers from the public to the private sector. We have a real opportunity to invest in renewable technologies—solar, wind, wave and also geothermal—but those investments take a lot of capital upfront. How can you de-risk the capital investment for the private sector, so that they are allowed to bring along their own investment, create jobs and wealth in the area? One opportunity might be municipal bonds of some description to de-risk the process of that initial capital outlay and provide opportunities for the private sector to prove their case—proof of concept—and develop a business case around, in particular, renewable technologies, which is why we think Department of Energy and Climate Change (DECC) should have been involved in the regeneration policy programme, as should Department for Business, Innovation and Skills (BIS) in terms of the skills agenda; they have not been, so far.

Q147 Bob Blackman: Would you see Cornwall or the Government putting that money up? Who is taking risk and responsibility?

Tom Flanagan: We recognise that it should be a shared responsibility. There are things that we can do and would want to do locally to support continued investment in the economy, but we need to have that co-ordinated approach from Government that at the moment is not really coming through, in terms of the policy.

Q148 Bob Blackman: Will that be presented to the council tax payers of Cornwall as, “If this all goes horribly wrong, your bill is going to go up quite dramatically to pay for this risk”?

Tom Flanagan: We would make sure that there was security in place, that the risk was manageable. We are quite confident. There is a debate going on at the moment about the feed-in tariff for solar power, but clearly if things like that were put in place—if the Renewables Obligation Certificate (ROCs) review comes out with five ROCs for Cornwall, as we have in Scotland—then those opportunities might create the base for further investment. I think it is a shared responsibility and something we are keen to explore.

Allan Haile: The Government has announced the proposals for enterprise zones. We had an enterprise zone for Cumbria in the past that was very effective. One of the things that appears uncertain at this point, as opposed to definitely missing from that, is the capital allowances that really made a difference in enterprise zones last time. In terms of lessons learned, that is one thing that I think needs to be considered as part of the enterprise zone debate. I have already mentioned the long-termist approach, which is certainly a lesson that we have learned.

Q149 David Heyes: This is a question to both of you—realistically. I guess this paper, Regeneration to Enable Growth, means that you are already operating in a very different environment to the context that is dictating what you have done for the past 13 or 14 years. One of the key things that are going to change is the lack of measurement and assessment. It is a clearly stated objective to remove some of the top down measurement there has been in the past. Local Area Agreements (LAAs), Comprehensive Area Agreements (CAAs) and so on. That does beg the question, though, of how we are going to measure progress against regeneration to enable growth in this new environment with no measures.

Tom Flanagan: That is a fair point, but I think, in the past, a lot of targets were perverse and resulted in behaviour that was not effective, in terms of producing the right outcomes.

David Heyes: For example?

Tom Flanagan: With some of the targets around reducing drug dependency, for example, the way that the funding worked was there was absolutely no funding around alcohol, which causes most of the social unrest on the streets. You have to be careful about getting the right target to achieve the right outcome. We are quite comfortable setting benchmarks against our own ambitions and on where we need to be, and we are benchmarking against the European regions, which gives us quite a good idea of where the economy is going. I am not worried about the measurement issue per se, but I do think it is important that the framework is put in place to allow a coherent approach, so we can plug into a clear national framework that the policy does not provide at the moment.

Q150 David Heyes: Before Allan comes in, that is okay as far as it goes, I think, but the stated intent is that local partners and communities will determine the success or otherwise of the plans. It seems very much a grass-roots measure of what we do in the future. It would be very sensible to benchmark yourself against European figures, but what about local?
Tom Flanagan: I think locally as well. Obviously, we need to be transparent, and part of the issue around the Local Enterprise Partnerships at the moment is that they, like the Health and Wellbeing Boards, have no statutory basis. They are informal partnerships at the moment. We should be giving it a statutory basis; we should be providing a duty of co-operation around local enterprise regeneration and, through that, making it more transparent in terms of accountability through our own council scrutiny committees, through the community and voluntary sector and through the local community.

Allan Haile: I think the last point about Local Enterprise Partnerships is an extremely valid one. If Local Enterprise Partnerships are to achieve what Government expects for them, I think they have to be given the legitimacy actually to drive some of the things that are required. We also welcome the move away from the set of measures that were in place before. Firstly, I would say that there does need to be a common approach across the country in terms of measurement of progress. Otherwise, how can you assess one area's performance against another's? To supplement that with local measures that actually look at what it is you are trying to achieve, and to recognise that those are meaningful, would be helpful. The intent is for a move away from a reliance on public sector funding and public sector jobs to private sector jobs. Clearly, a means of measuring what progress is being made towards that and whether initiatives that are in place are actually helping with that needs to be in there.

We also think that the housing targets or housing indicators that were in the previous set were actually quite useful. They were a good indication of economic conditions. It also helps in forming a housing policy, etc. There were some good parts and bad parts to the last set. We think there needs to be a common approach to enable us actually to measure progress against other areas.

Q151 David Heyes: Just one last point, Chairman. A common approach is about having some comparative measures; what is what you are saying?

Allan Haile: Yes.

David Heyes: Is there any work going on to achieve that? It would have to be a voluntary arrangement; it is not going to be top-down, where people are dictated to. What is going on to ensure a common approach? I am already detecting differences in your approach to Tom's at the opposite end of the country. Tell me how you will forge your common approach.

Allan Haile: One of the ways to do that would be through the Local Enterprise Partnership, and there are moves afoot to create Local Enterprise Partnership networks; that is one way we could actually do it.

David Heyes: Okay. It is a bit tenuous though, isn’t it?

Q152 George Hollingbery: Just briefly, I started off wondering what rural regeneration was, and I am not sure I am actually any the wiser. I want to return to Mark Pawsey’s question: is regeneration in a place such as Cumbria or Cornwall basically economic growth? Is that what you are looking for—stability, and backing up or bringing forward the economy in your areas? Is that what we are talking about, essentially, for rural regeneration?

Tom Flanagan: Yes. I just think you have to be careful about semantics. Matthew Taylor did a very good rural report about regeneration, and he actually said that the economic sectors in rural areas are not that different from economic sectors in urban areas if you look at the proportions.4

Q153 George Hollingbery: But much more diffuse, and more difficult to manipulate within communities themselves, rather than with overall governmental intervention.

Tom Flanagan: Yes, but the issues are very similar. Cornwall has been very fortunate over the last decade; the agri-food sector has increased its value by 50% from £1 billion to £1.5 billion, and it has done that through a focus on quality and a focus on local sourcing. Support in terms of regeneration: do you call it regeneration or do you call it economic growth? Some of the restaurants, such as Rick Stein's restaurant, actually source food from local farmers, so I think you just have to be careful about saying there is a hard and fast boundary between what is regeneration and what is economic growth.

Q154 George Hollingbery: I see the complication. It is coming down to the diffuse nature of what you are trying to grapple with. You can see a community in Salford and you can say, “That needs regenerating; now we begin to start to think about how to do it.”

Tom Flanagan: Yes. I think the difficult issue in rural areas is that you have other factors or forces at work, such as the common agricultural policy and what is happening in terms of some of the DEFRA regulation. All those other things play into rural regeneration; they do not necessarily do so in urban areas.

George Hollingbery: That is very useful, thank you, Allan?

Allan Haile: It is very difficult to distinguish between economic development and regeneration. I think the two things need to work hand in hand; to be effective, the two things do work hand in hand. So far as a rural area is concerned, as I did mention earlier, the rural area is as reliant on the urban area for work, employment etc as the urban areas are themselves. Another thing to bear in mind, addressing the agricultural sector, which is still a major part of the Cumbrian economy, is how we actually enable farmers to extract the value from the produce that they provide. At the moment, all the other sectors—the retail and food preparation sectors, for example—are extracting the value. It is how you help that. Definitely, it is a very grey area, what you call regeneration and what you call economic development.

Q155 Chair: I will deal with two issues—very briefly, I promise. You could conceive of a position, though, where you were successful in increasing

economic growth but still left problems of regeneration.

**Allan Haile:** I absolutely agree; you can create jobs, but you have to assist local people to be ready for those jobs. You have to provide them with the skills; you have to provide them with the will to work, in some of the worst cases. We have huge opportunities within the energy sector, both in terms of nuclear and renewable, in Cumbria. The thing that we are keen to do is ensure that it is local people who benefit from those opportunities. Clearly, there will need to be people who come into the area to help exploit those. That is accepted, but unless you enable local people to take advantage of it things will not improve.

**Tom Flanagan:** It is already the case. Work was done around resilience, particularly to public sector funding cuts, and obviously parts of Cornwall are more resilient, particularly the areas that have the opportunity to commute to Plymouth. The east of the county is more resilient than the west of the county, and clearly Cornwall is a bit of a special case because it is surrounded on four sides by water. Nevertheless, the peripherality to the market means that you are more vulnerable.

**Q157 Mark Pawsey:** So even if we have very substantial economic growth in Cornwall, across the county as a whole there could still be pockets that need regeneration.

**Tom Flanagan:** Yes.

**Mark Pawsey:** Does the same apply to Cumbria?

**Allan Haile:** Absolutely the same, and I think that is the same throughout the country.

**Chair:** Thank you both very much indeed for coming to give evidence.

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**Examination of Witnesses**

Witnesses: **Sir Robin Wales**, Elected Mayor of Newham, and **Ros Dunn**, Chief Executive, Thames Gateway London Partnership, gave evidence.

**Q158 Chair:** Good afternoon and welcome, both of you, to our third evidence session in the inquiry into regeneration. For the record, could you introduce yourselves and say who you are and what organisations you represent?

**Sir Robin Wales:** I am Robin Wales, the elected mayor of Newham.

**Ros Dunn:** I am Ros Dunn, Chief Executive of the Thames Gateway London Partnership.

**Q159 Chair:** You are both welcome, and thank you for the written evidence you have given us so far. To begin with, do you generally welcome the proposals in Regeneration to Enable Growth, or do you have significant concerns that you would like to tell the Committee about?

**Sir Robin Wales:** I have to say I have significant concerns. I think that the Government's regeneration proposals, and what it says is its strategy, are actually endangering growth in London for a number of reasons. In Newham, we have the Olympics, we have Stratford City, and we have a large number of jobs that are coming along and a large number of opportunities. You can regenerate an area, but unless local people access the jobs, it does not make a difference to what is going on. Canary Wharf was hugely successful in terms of generating wealth for the country, but the largest number of jobs created anywhere in the country was in Tower Hamlets and it has the largest numbers of people not working, anywhere in the country. Our view is that you have to invest in people—I think that was being said earlier—to get them job-ready.

**Tom Flanagan:** Yes, particularly if you are importing things—skills or products—and you are exporting profit out the area. There is a real issue in particular for peripheral areas. At the moment, we export 97% of the profit from energy from Cornwall. If we can create a renewables sector, we can keep more of the profit in the area and support continued investment.

**Q156 Mark Pawsey:** You both cover big areas geographically. Could you both see a situation where you get pretty substantial economic growth in part of your area but still have a need for regeneration in the remaining part, or would you look at the area as a whole and say, “We can live with that”?

**Tom Flanagan:** People will come with jobs. We have done a deal, for example, with John Lewis, where we have said, “We will get our people ready and put them in front of you”—people in long-term unemployment—and they will take them. They have been fantastic at that, but that is expensive. We are spending £5 million a year on that, and the Government has come along with very savage cuts. The largest cuts in London, maybe even the country, are in Hackney, Tower Hamlets and Newham, which is all one area—the poorest area, the largest area of deprivation in the country—and those cuts mean that job brokerage schemes like ours are put under threat. The other thing in terms of the enterprise zone that has been agreed in that area is that while some of the proposals might work elsewhere, London is a very different place. London land values are greater. If you are going to take the Prime Minister’s Tech City proposals and look to develop a Tech City down in the docks, which is where the enterprise zone is, that is expensive; those buildings are expensive. If you compare what was done very successfully in the Canary Wharf area and the money—the sheer scale of the investment—that went there, which was successful generating wealth, we are not going to get that in the docks unless we see a different sort of employment. Now we work with the Mayor; we try very hard, but for some of the proposals, we just need some more heavy lifting to make it actually work in London.

I will finish on this: the single thing that we know will get people into work—the single best course you can do—is English language. We know that because...
without English language you are not going to get a job. The Government’s cuts mean that half the people in my borough who are currently learning English language will be unable to afford it. It is just a stupid, stupid cut. Never mind that we had the Prevent agenda discussion yesterday, where it was quite clear that English language has to be the most significant thing we can do. My problem is that an enterprise zone is helpful, though it needs an awful lot more work, but in other specific areas the Government is directly doing damage. After spending £9 billion on the Olympics, not to grab the jobs and keep the support going on the very successful job schemes that we have, creates a real threat; there are 6,000 people in work from our Workplace partnership with Jobcentre Plus and 5,000 will be going into work this year, but only if we keep spending money that is very hard to come by.

Ros Dunn: Chair, thank you very much for the opportunity to comment and to come in front of the Committee. I would like to make five opening points about regeneration and the Government’s approach to regeneration on behalf of the partnership. First, we very much welcome the idea of rebalancing growth and of supporting growth outside the greater south-east. However, our view is that we should not allow this to be something that levels down. We believe that growth should be a levelling-up process. London is the most productive sector of the UK economy; it is the only net tax-exporting region and we believe that nothing should be done to put that at threat. Nothing should be done to diminish London’s ability to continue to export its taxes to the rest of the country. For that reason we feel very clearly that London should not be left behind in this process. There are some concerns about why that might be happening. First, we think there are some enterprise policies that the Government has deliberately excluded London and the south-east from, in terms of eligibility. We believe that that has been harmful and it has not even been, in our view, particularly successful. If you look at the case of the national insurance holiday, the expectation was that there would be 400,000 jobs created, and, to date, it is something like 3,000. So we are concerned about the fact that London is being excluded from some enterprise policies.

We also think there are some other policies that are actually going to be potentially particularly damaging to London. This is a range of policies around housing benefit and welfare reform that have a particularly adverse impact on London. A gain, we would want to say that we cannot look at London as if it is a single homogenous region; there are very big differences within London. The area that I represent, and Robin is part of the same area, we think is going to be particularly adversely affected by some of the changes that are coming forward.

Finally, this is about community-led regeneration. What history would tell us is really that game-changing regeneration never happens unless there is also strong national leadership and strong national support. Community-led regeneration is fine; nobody could possibly disagree that successful regeneration would never happen without strong community support, but I think we must not allow ourselves to think that that is all that is necessary, and we should think that Government also has a role to play and that what we should be trying to do is join those two things up.

Q160 Steve Rotheram: The next question actually follows on nicely from the previous one. Some witnesses have suggested that the Government’s proposed targeted investment focuses overwhelmingly on London and the south-east. First of all, are they right? I think I know the answer to that. Given their relative economic successes, why do you think these areas require further central Government assistance for regeneration?

Ros Dunn: Can I have a go at that first? I am not sure that I do think London has had an unfair share of investment. I do not have all the figures to hand, but where you look at spending per head on things like transport, it always looks a lot higher than it is for other parts of the country. However, that does not necessarily reflect the fact that we have much, much greater levels of in-commuting. The work force population is much bigger than the resident population and we also have much greater levels of tourism. A lot of our infrastructure actually supports national development and national ambitions as much as anything else. I think it will continue to be the case that big strategic projects will possibly involve London even if they are not exclusively there. Something like the High Speed 2 may involve London but will not exclusively be there.

Sir Robin Wales: My view is we need to get it right across the country. Nobody would object to spending money elsewhere. We are supporters of High Speed 2; we are supporters of High Speed 1. We think it would be a good idea having an international passenger station in Stratford if we stopped international trains at it. It is nuts that we have an infrastructure that we are not going to use to the best of our ability. The other thing we have to do is separate London; London is not a homogenous place. The east end of London is the greatest area of deprivation and unemployment anywhere in the country. To give you an idea, if you take Westminster and Canning Town, which is in my borough, every stop on the Jubilee Line that you take—and you are welcome to try and take it—you lose a year of life. You die younger if you live in Canning Town in my borough. That is just not acceptable.

We would argue that it is important to regenerate that area and spend money on regenerating the area there. Interestingly though, we have done some work with Oxford Economics and they have said that the greatest growth potential is out in the Thames Gateway and, indeed, the Mayor of London has said that Newham is the centre of regeneration for the next 20 years. Oxford Economics have said that if we invest there, we can add 5% billion to GDP by 2030, with an improvement to the public finances of £5 billion. It is a good thing to do, and not just in terms of helping people’s lives in the east end of London, which have been blighted for a century, to go back to Booth’s work on poverty—they have been blighted for as long
as they have been there. It will also generate significant resource that can be spent in the rest of the country, I remember that London is a tax exporter and this is a way of generating more wealth, so it is good for the country to be investing in the east end of London as well.

Q161 James Morris: I just want to clear up some confusion. I represent an area in the West Midlands, in the Black Country, and if I think about that perspective on London, I thought the whole rationale of the Olympics was that it was going to regenerate the east end of London. That was the whole reason, apart from the sporting rationale; the actual economic rationale that Mayor Livingstone put together was that it was going to be regeneration for east London. Is it not going to regenerate east London?

Sir Robin Wales: That is the point I was making earlier. The investment in the Olympics we have always thought was the magic dust in trying to inspire people. We have a lot of people who lack resilience, and lack the capacity to go and get work, and we are trying to inspire people to do things. You spend the money in that area and you have an opportunity for jobs to come for some time and, indeed, if you look at the Tech City proposal by the Prime Minister, it is anchored out towards the opportunities that will then come in the future in that area. Linked to that we have Stratford City, which is the largest urban shopping mall in Europe, which is being built by Westfield, an excellent partner whom I would recommend to anybody, who are building there with lots of jobs. So the opportunities are coming.

The problem in London is that you are competing internationally. Our people have to compete with international employees, people who are coming from all over the place, looking to get jobs. The evidence we have, from the work we have done, is that if we can get into businesses, embed ourselves in business, understand what business needs and then prepare our people so that when they go and are interviewed by those businesses they will take them, the evidence is that is the way we get our people employed. It is no good building something; you have to get the people to then get the jobs.

Fascinatingly, John Lewis, which is taking 250 long-term unemployed in our area, is exactly the sort of partner you have to work with—a fantastic partner—to try to make a difference. It is actually now making the benefit, but just as this opportunity comes, the Government cuts £44 million from our budget and leaves us in a position where, if we continue spending the £5 million we are spending on job brokerage and helping people into work, we have to make cuts somewhere else. That is why I cannot understand—we will argue about whether or not the cuts are necessary and all the rest of it—why the Government did not turn around in the east end of London and say, “I’ll tell you what, we’ll keep spending money on helping people into work because in the end we are not going to” —

Q162 James Morris: Clearly the previous Government would have spent probably a large amount of money on trying to generate jobs in your area, so why has nothing changed over the last 15 years?

Sir Robin Wales: Partly, that is about churn and understanding the nature of people churning. It has changed. We do a lot of research. I can tell you now, and I am happy to provide the figures to the Committee, that the people moving into Newham are poorer than the people moving out. What happens is they come into Newham, they get work, they get jobs and then they move out of the area and another group of people come in who are poorer. So, actually the work we have done has made a big difference, perhaps not in our area because we have different people moving in, but right across London. I can give you that evidence; we do a lot of work to understand that. What we have tried to do is create communities that will sit locally, so if I am now going to talk about trying to create a community that is stable, the housing benefit changes that the Government are making are going to drive poorer people from the rest of London back out to us and out to other poorer areas. Everything is working against us—Government policy is working against trying to transform it—but we have a record of making a difference to people’s lives; it is the area that is difficult, and this was our chance to do something.

Ros Dunn: I would probably just add something to the point about the Olympics and what change that is going to make. I think there is a number of changes happening in east London that will make it more of a destination than it has been before. What Sir Robin has been talking about is that people come to Newham and move on; their aspirations are not to stay there. One of the big legacy benefits of the Olympics is that, not just for the Olympic Park but for the whole of that sub-region, you will start to transform it as somewhere that feels more like an acceptable destination for people to want to stay. That is how you can start to grow a more sustainable community, and that is a benefit.

Q163 Steve Rotheram: I do not think anyone would dispute the importance of the capital, but how can the Government rebalance the economy whilst at the same time supporting the most deprived areas in the country?

Ros Dunn: I do not think it is all about money. Thank goodness it is not all about money. I think a lot of this is about saying we support the Government’s policies in terms of trying to help disadvantaged communities in the rest of the country, not in the greater south-east. We do not have any problem with that. The point we are making is that if you were to do any sort of analysis of deprivation you would find that in absolute numbers there is more deprivation in east London than there is in the West Midlands, for example. It is about doing both, I think; it is not about saying, “We do not want the rest of the country to benefit”. It is saying, “Of course we want the rest of the country to benefit, but we do not want you to forget that there are people living in London who have exactly the same characteristics.”

5 Booth’s London Poverty map, www.booth.lse.ac.uk/static/a/4.html
Sir Robin Wales: To give you an idea, the six poorest boroughs in London are larger than Birmingham and they have the highest levels of non-employment in the country. That gives you some idea of the scale, but for me it is straightforward. If you take Newham, people are now saying, “Oh, the Olympics are coming; things are happening”. The reason it is happening is because we fought for years to get transport infrastructure. My borough put £11 million into the regional station we have to get a better quality station in because we recognised that that would be attractive and bring people to that place. We fought for an international airport, which generates opportunities and jobs. Transport and proper infrastructure, particularly in a city like London where you are close to lots of things, will make a difference.

I am entirely fine with that happening in the rest of the country; I think it is absolutely right, creating opportunities for business to flourish and grow. However, it does not mean you should then stand aside in terms of supporting transport in the east end. Coming back, in London it is not enough just to attract the business; you are competing with very good quality people from all over the world who have come to work. You have to have a system of getting people in, but we have proved through the work that we have done that we can do that.

Incidentally, some years ago we introduced something in our workplace where we said that if you were worse off working than on benefit, the council would make up the difference. We recognised it was important to encourage people to get into work. So we have done all sorts of things, and if you look at what has happened in terms of embedding, we have somebody embedded in City Airport so we understand what they want. They are very good on employment, and they said, “You’re not sending us the right people” so we re-did what we did and now they will say we are sending the right people; that is our local people getting access. You have to do the two things, and with the cuts we have that is extraordinarily hard. I am hearing of job brokerages across London being closed down. This is the wrong time to do it.

Q164 Bob Blackman: Just to follow up, I have sat in west London for 25 years being incredibly jealous of the huge amounts of public money that have gone into the east end of London. I recognise that it is necessary to do it, but what we are hearing is that Governments of all persuasions have pumped public money into the east end of London, yet despite all that investment you still have high levels of unemployment, you still have deprivation and, from what I am hearing, even if the Government were to say, “Yes, we’ll give you all this money you need”, what will happen is the deprivation will still be there. The people will move out and all that happens is a cycling of public money and we have elements of deprivation. Can I ask, Ros, what single thing would bridge this problem and actually get us to a point whereby the east end of London would be regenerated in the proper way?

Ros Dunn: In a sense, that is two questions and perhaps that is not the right way to put it. You might accept that there is a place that is not a destination and it will be an attractive place for relatively poorer people to come in to advance themselves and then to move on. There was very interesting work that I think was done in South Wales that tracked people rather than a place and very much demonstrated that pattern of activity. If a place is going to be like that, you might just have to accept that you are continually going to support people and help them to better themselves. That actually might be an entirely right thing to do.

However, if you take the view that what you want to create is a destination and you want people to come somewhere and stay there, then over the time you would expect that characteristic to change. I would say it depends on what you think you are doing and what you think you are creating, and whether or not you have a place that you are trying to make a destination, which you would then expect to change, or whether you just accept there are going to be places where there will always be a need to provide further support because the people who go there are always going to need it and then they move on. It is not straightforward.

Q165 Bob Blackman: So is it your view, in the east of London, representing the greater area that we are talking about—not just one borough—that that is precisely what is going to happen? It will always be a case of providing more and more public money in order to subsidise people being cycled into better environments?

Ros Dunn: This goes back to the point about the Olympics; it is very good to have the opportunity to repeat it. The whole point about that is that it is, in my terminology, a game-changer. So many things are happening in consequence of that. We probably would not have had a cable car that connects the north and south of the river, which Heidi will welcome, if we had not had all the things that were going on in east London. Our view—I am sure Robin would say the same thing—is that we are on the cusp of being able to make this change.

Q166 Bob Blackman: One last question from me, because I know other colleagues are queuing. After the Olympic Games is over and the legacy is happening, will we see a break in this cycle of deprivation in the east end of London, and will no more public money be required to subsidise it?


Sir Robin Wales: Can I put some figures on that? We have figures on that because we have done the research. First of all, we do not want public subsidy; that is one of the things we want to break away from. We want the east end to be a place that generates wealth; we do not want to be a place of public subsidy. The money we have been getting in benefits and stuff like that is not necessarily the stuff that we want in terms of investment to transform people’s lives. Incidentally, I would not mind if you closed Heathrow, and we had it on our side. We would not then have to get the jobs, the wealth and the opportunities. We look at some of the bits of west London jealously.
The Government, the Mayor and the boroughs agreed on the principle of convergence, which is to bring the east end up to the same standard as the rest of London on child poverty, on health, on skills, on jobs. That is a 20-year task. I know that for us to do that we need 20,000 people getting into work who are not currently in work. The model we are trying to follow now is this. In the past, what has happened is jobs have been created, and people have come in and moved out again, leaving behind a residue of people who, in some cases, are from three or four generations of not working. Those are the people we are targeting now and, explicitly, the target we have in Workplace is to get 2,000 people with over a year of unemployment, who have been resident in the borough for over a year, into work. Do that for 10 years, and you have a chance of social regeneration. I have conviction that with lots of different housing policies, lots of different social policies and lots of things that make places attractive. We are doing lots of it, and I would be happy to spend hours talking about it, but I am sure you do not want that.

There are other things to try and keep them in an area, but it is interesting; I did a tour with Simon Milton, who is a sad loss to all of us, and he saw some houses in Forest Gate and said, “Wow, if these were in Kensington and Chelsea they would be worth a fortune.” That is the problem. We have lovely three-bedroom terraces, we can transform the area—that is what we have tried to do—and the Olympics and the inspiration of that was part of that changing. We do not want your money; we just need it while we are trying to transform. However, this is not the time to stop spending money on getting people into work. That is the problem.

Q167 Mark Pawsey: I am just concerned about the varying aspects of regeneration because I think we understand regeneration as an intervention to sort out an area and bring it up. What you seem to be describing is a permanent process. That goes back to the economic growth argument we had against regeneration. You want to see continued economic growth and development within your area, not regeneration.

Ros Dunn: If I could come in on that, I just wanted to remind the Committee of something that you can probably work out I have just been reminded of, which is that there was a vision for the Thames Gateway that was produced by Sir Terry Farrell. The very important point about that is that he reckoned that that was a 70-year programme; he said we were 30 or 40 years in with another 40 years to go. Sometimes, the difference between regeneration and permanent change in our lifetime will not look that different because it takes more than a generation. What we might be saying is that it would take more than a generation but it is actually going in a direction of travel that means that it is continually getting better in consequence.

Sir Robin Wales: We have an area of land a third the size of Manhattan ready to develop out in Newham. London is only going to develop one way. If you want to keep it as an economic powerhouse it is only going to develop out of the east end. That is the only way it is going to do it, but with that amount of land, that opportunity, this is when we can transform people’s lives. It is a once-in-generations opportunity linked with the Olympics.

Q168 Chair: We will move on to Heidi. We will only get rebalancing when Steve gets a cable car as well.

Heidi Alexander: I should just say, Chairman, I am not a huge fan of the cable car, it has to be said. I should also say that having listened to this debate, I have never more wanted to make a speech in this place than I do at the moment, but I realise that it is not the time. I would like to talk about housing. Sir Robin said earlier that he thought English language skills were incredibly important in getting people into work, improving prosperity and delivering regional generation. I think housing probably falls into that category as well, and in parts of London we see some desperate overcrowding, and actually some still quite poor-quality estates, even where decent homes investment has taken place. There has been a raft of housing policy changes, whether it is the cuts to the national affordable housing building programme, the new affordable rent model or changes to housing benefit. I just wonder what you see as the impact of all of those things in the parts of London that you represent. Are they together going to result in more people living in suitable homes at a price they can afford?

Sir Robin Wales: Actually, to be honest, the housing stuff is extremely complex. There is a whole number of things running. The Mayor of London’s criticism of the housing benefit changes shows he actually understands it is going to push poorer people out, so the housing benefit changes are a real problem. They will push people to share in quite inappropriate places. Across London at the moment people are building super-shacks; people are building places in their gardens where people live. That is happening right across London at the moment. This accommodation is absolutely appalling. It is driven because there is a shortage of accommodation and there are problems in London.

I am now going to be fair. Some of the changes we welcome in Newham, and I think we need to understand some of the things that have changed. One third of our properties now are private rented. Private rent is becoming the big thing, and it has been massive there. People cannot afford to buy any more, so people who are capital-rich and able to build are getting into the business of renting. As for the result of that, think back to the ’60s in housing and think of the issues; think of eight to 10 people in one room; think of some of the challenges that are coming. It is not that private rent is necessarily a bad thing; it can be a good thing, because it is another type of supply. However, the changes—social housing, affordable housing and tenure changes—are coming together in such a way that we have to understand that now housing is not just about social housing; the private sector is a place where a lot people are living. Benefits pay for it, and in a sense it is a type of social housing.

Our view is we are very keen to use the social rents we have to drive employment up. We are very keen to support people into employment and give them...
lower rents because that is a way of making sure they make a benefit out of working. Equally, we think we need some new policies in terms of private rented that give people some more security of tenure, because there are some issues around that. So there are a number of things there. We have campaigned for some time about homelessness, saying we think discharge of homelessness into the private sector is the right thing. That will help because actually, effectively, it will not go into more than a certain number of properties and a certain number of people. Some of the changes, if you use them properly, will help. The truth is that in many of the wealthier areas poor people will be driven out. Our task, and for us the issue in housing, has always been about creating communities that are of mixed ethnicity, tenure and class. Actually, as the Mayor of London once said to me, we want our areas to look like London. That is exactly what we want to look like, and that means we want the mix.

I think my criticism of the changes that the Government are making is they are not freeing Local Authorities up enough—the ability to charge market rates, the ability to do different things. So our plan is to look at individuals and say, “What do you need as a person?” because it is not about housing; it is about communities; then we might not have to pull them down in 40 years, as we are doing in parts of London. So our plan is to link in with the regeneration of the area. We want the mix.

Q169 Heidi Alexander: Ros, perhaps I could ask you to pick up on whether the affordable rent model will work for the boroughs you represent.

Ros Dunn: I think there is some concern about that, and it partly depends on the settlement for the London Home Commis- sion, which is being folded into the Greater London Authority (GLA). It could be made to work if RSLs are able to cross-subsidise by being able to get schemes agreed where they do not have to charge 80% of the market rent. If it were absolutely to be the case that everything was 80% market rent, it would be very challenging to impossible in London.

Q 170 George Hollingbery: It is a maximum of 80% in London. Am I wrong about that?

Ros Dunn: Yes, but if you are a developer, it depends on whether or not you can make the scheme work with the level of subsidy that would be available. You are likely to be able to do that if you are a large developer who can cross-subsidise by doing market sale and rent as well. We do not yet know what the outcome of the bidding process is, and we will get a better idea at some point. Just to go back, London Councils predicted a while back that something like 800,000 people would have to move in London as a result of the combined effect of all the changes in welfare reforms, housing benefit caps, local housing allowances and so on. Think about the human scale of movement at that level; it affects just about everything you think about. Firstly, if you are a receiving authority you will get the rent paid, but you will not necessarily be paid all that quickly for all the other services that you might have to provide. There are a lot of issues about disruption for families uprooted from schools. On every single level, if that were to come about, it would be extremely difficult for the individuals affected. Going back to the point about London not being held back, I think it is pretty damaging for the London economy. It would be very nice to see some recognition that the nationally applied policy is not likely to work as effectively in London because London rents and London housing costs are simply never going to get down to the levels that this policy would work at.

Q171 Bob Blackman: I do not want to concentrate on the housing elements, but obviously, part and parcel of the legacy of the Olympics on the Thames Gateway is a possible number of new houses. Can you update us on the estimate of the numbers of houses and when they are coming on stream, and what sort of financial model there exists for ensuring that there is a good mix of properties? One of the concerns I have, and had when all this was talked about originally, was we would end up with rabbit hutches, which, taking what Robin has said, is precisely the problem across London. We do not want to see that repeated in the Thames Gateway.

Sir Robin Wales: In terms of the numbers, we have the Olympic village where we are working on at the moment to make sure that that looks right. I have to say the Olympic Park Legacy Company led by Margaret Ford is doing a tremendous job. They have been very clear about putting flats down towards the station, where it makes some sense. I happen to know somebody who was looking for a flat there. They are very hard to get in terms of rental. Further out, though, they are looking at townhouses, proper housing or family housing that, if we get the mix right, as we are trying to do in the Olympic village, will make some sense. The development plans for the park, in terms of creating a community, are actually quite positive. I think we should take some pleasure in that. As I say—though I do sit on their plc—I think that Margaret Ford is leading this extremely well. The size of rooms in flats is certainly something we have raised for many years, because all we used to talk about was units. We should talk about places for people to live and talk about communities; then we might not have to pull them down in 40 years, as we are doing in parts of Canning Town, so that we can make the place habitable.

In terms of the housing that is going to be there, I am feeling very optimistic. However, nobody is sure what the financial models are going to be at the moment. Nobody is sure what is going to come. It is all very difficult. Certainly, an example of that would be one of the things we are quite interested in, where there is some development going on: saying, “We do not want social housing. Give us the money and we will buy...”
houses with gardens elsewhere in the borough that will suit families better." That is one of the things we have to think about. That is in terms of trying to make your area right for your community, and that is part of keeping people in the area, keeping families in the area and settling down the people who work, so that they stay there.

Each area of London is different, and that is the sort of thing we would look at, but who knows about the financial models at the moment? I think it is actually really difficult to predict what will happen in housing at the moment, except that people will be moved because they cannot afford to live where they are on housing benefit. It is just very complex at the moment.

Ros Dunn: I wonder if I could just add one thing to address the rabbit question. I think we should be fair to the Mayor of London who has produced a design guide that is actually quite generous in terms of space standards. I think there is an absolute recognition, and Local Authorities can do their own things that are either compliant or better.

Sir Robin Wales: My only comment would be that the last Mayor of London also was very good on space standards, just to be fair.

Q172 Bob Blackman: The key point is this: is the model of the Thames Gateway replicable elsewhere in the country, or is this just a unique regeneration opportunity that can never be repeated anywhere else?

Ros Dunn: I think that what makes the Thames Gateway unique as a project is the fact that it is both proximate to and part of London. It is, as it were, the only place where London can realistically grow in the trajectory that seems to be implied by continuing to grow as a global city. That is not to say that you cannot have very high-quality regeneration. Going right back to the start, it is not to say that we would not be strongly supportive of the idea that growth happens elsewhere. Absolutely, however, I do not think you would get anything of the scale and the size of the Thames Gateway if it were not for the fact that it was coming into London.

Sir Robin Wales: I will add a small thing, which is: we will get Crossrail and we will see developments in great transport. In 20 years’ time, we had better have a really good transport system out of the Thames Gateway if it is going to work. If we are going to keep expanding and keep the wealth coming in, we need to be planning now for a proper transport system out of the Thames.

Chair: Right, there are two final issues to ask you about, but as you have already answered parts of them, just confine your comments to additional ones, if you could, bearing in mind the time.

Q173 James Morris: How is the Royal Docks enterprise zone going to help?

Sir Robin Wales: We campaigned for it; we welcome it. It will be useful as a marketing tool, but some of the time I think it is pretty small. I think the offer is pretty small because it is different for different people. If you want to develop a biotech place, the land values are high and the buildings are going to cost. I think when Michael Heseltine was investing and doing the stuff in Canary Wharf he understood that you needed sometimes to do a bit more heavy lifting.

We welcome what we have, and we are working with the Mayor of London to make sure that, after the first five years, in the next 20 years, the money goes towards infrastructure improvements around that area, but I do think that there needs to be an understanding that not only is London unique in terms of needing resources—you have to spend more to make it work—but businesses need different things. We have had Siemens come; it’s a fantastic step forward and what they wanted was speed and certainty of planning. It was public land and they wanted us to sell it really quick. If you ask them, they will tell you that we were really quick and did exactly what they wanted. That is what they were looking for, but each business is different. At this point, our worry is that there is not enough opportunity. If we want to attract international investors, if we want to attract jobs from elsewhere, we need a better offer and a better incentive. There are concerns about that.

Q174 James Morris: Is one of the dangers of enterprise zones in London and in other areas that they do not address the issue that you were talking about earlier? They focus investment in one area, but they suck opportunities out of other areas. Will that potentially make your situation worse?

Sir Robin Wales: If you are going to attract business from the rest of Europe, you need to think about the nature of what you are offering. If you are going to have a Tech City—and there is actually lots of academic interest now down the Lea and along it—if you are going to do those sorts of things that will enable you to grow businesses and grow effectively, you need to think about what incentives will encourage that firm. One of the things I always find frustrating is you say, “Here’s your offer”, but firms are all different. We know businesses are all different; some businesses need more than others. We think we should be looking and saying, “If it is going to generate wealth and opportunity that is not just sucking from elsewhere, then the Government should be willing to stand behind that and support different models for different businesses in order to generate more jobs.” In the end, that is cost effective.

Q175 James Morris: Will it not just be high-tech, highly skilled jobs that will not get anywhere near addressing some of the deeper-seated problems that we have been discussing earlier?

Sir Robin Wales: Two things: one, in every high-tech business there are lots of jobs that are unskilled. I have talked particularly about unskilled jobs we were mentioning, but we need to talk about a skillling opportunity to upskill. We have spent a lot of money on the retail academy and skills academy we established at Stratford City, but the businesses have led that. We have been very clear that we do not want the Government to be leading it; we want the businesses leading it. You would be amazed at how many different types of training retail people want, from John Lewis to Forever 21, who, frankly, would not want me to come into the store even if I were prepared to spend money; they want different sorts of people.
It is making that skill work with the business. We want high-skill jobs because we want to encourage our kids to aspire. One of the things we are getting in Stratford City is an academy where we have spent our money to make sure that it is an all-through school. It is right to understand that you have to upskill.

Chair: Can we let Ros come in and respond as well?

Ros Dunn: If we are getting to the point where we are coming to a conclusion, I think the point that I would be very keen for the Committee to have to reflect on is that the Government seems to be approaching a policy now that says, “Do things for everywhere, but actually the greater south-east is fine” and that is just not right, in our view. I know you asked a question about enterprise zones, but it just felt to me that if I could give you one thought it would be that.

Q176 James Morris: Sorry, can I interrupt? My point is: isn’t London just one massive enterprise zone? It is sucking out opportunities from the rest of the country. Is that one of the effects? Why do you want an enterprise zone, whereas in places like the West Midlands, the economy has major challenges, deep levels of deprivation and unemployment. Is that the point of aspiration? What I am really interested in is whether you think that, as part of a regeneration package, the skills training really needs to be up front and central. What are you guys doing about that, and where is the money coming from for that?

Sir Robin Wales: No. Come to the east end and see what the problems are. I am not against investing in the Midlands, but I want investment in the biggest area of deprivation in the country, and in Europe if you take unemployment.

Q177 Heather Wheeler: You have almost touched on skills training already, but I am coming at it from the point of aspiration. What I am really interested in is whether you think that, as part of a regeneration package, the skills training really needs to be up front and central. What are you guys doing about that, and where is the money coming from for that?

Sir Robin Wales: Why don’t you give us the skills money, and we will do a better job than the Government does? My personal view is that the skills money and the way the money is spent on skills is a disgrace—a national disgrace. We need money for skills locally to meet local business needs, so it should be localised, with us working with businesses, saying, “What is it you need to get people to work in these businesses?” What does Siemens need? What does John Lewis need? What does Buhler Sortex need? What do those businesses need? What skills need to be developed? We should be much more involved in that, and one of the disappointments is we were due to get 14–19 skills money and we had done some research into the nature of the jobs, the job market and what we were trying to do. We had done an assessment of it—I think it was the first assessment in the country—and then we did not get it. Skills are absolutely critical, and it is a major part of the infrastructure that I think we do not get right in this country.

Ros Dunn: If I could just add to that, in fact, there was a bit of a backwards step on skills, because previously the Mayor had the London Skills and Employment Board, which had a statutory responsibility to produce a skills strategy, and then there was an obligation on public agencies to put skills money in support of that. When the Mayor came forward with proposals for greater devolution he asked, I think, for further devolution, but in fact it went exactly the opposite way. The London Skills and Employment Board had its statutory status taken away from it. That was actually quite a centralising function, and I think what Robin says is entirely right: what we would have liked to see would have been greater devolution to the Mayor, and then the Mayor himself passing on more responsibility, so that there was a partnership between the London-wide strategic approach and what individual authorities wanted to do, in terms of targeting skills to where they were most needed, which again is very different across London.

Q178 Heather Wheeler: I am going to start the sentence with “with respect”, but is there not something of a disconnect between what you think ought to be done in a Stalinist, top-down, way, as opposed to companies dipping into the 50,000 extra apprenticeships, and the money and colleges being there? On my patch I have more apprenticeships now every day, because that is what companies are doing. It is not you doing it; Mr Mayor; it is the companies doing it.

Sir Robin Wales: That is the whole point. The stuff we put into the skills thing in Stratford City, the businesses run it. I do not want to tell businesses what to do; they should be telling us what to do. It is what I said earlier on the model: businesses say, “This is what we want.” In terms of workers, and it is our job to prepare and say, “There are the people you want.” It has to be driven by business, but you cannot drive business in the east end, even from the centre of London, because it is different businesses. My view is you should be working with businesses, saying, “What do you need? We will align the money with what you want.” Ideally, you learn on the job and we should be supporting that. It has to be business-driven.

Ros Dunn: And the London Skills and Enterprise Board was actually half business as well, so there was strong business representation on that. You could say that there was a business impact.

Chair: On that very important point, I think we have to conclude our session. Thank you very much indeed, both of you, for coming in and giving evidence.
Q179 Chair: Welcome, all of you, to our final session of the third evidence session in the inquiry on regeneration. For the record, could you just identify who you are and what organisations you represent?

Barra MacRauri: My name is Barra MacRauri; I am Strategic Director of Regeneration and Culture for Bradford Council. I am representing Bradford and the Leeds city region.

Chris Murray: Chris Murray, Director of the Core Cities Group, which comprises the city authorities of Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Sheffield, and Bradford Council. I am Strategic Director of Regeneration and Culture for Bradford Council. I am representing Bradford and the Leeds city region.

Mike Taylor: Hello, I am Mike Taylor from Nottingham Regeneration Ltd, which is a not-for-profit organisation set up as a delivery vehicle to promote physical regeneration in Nottingham. Obviously, Nottingham is a core city, so it is a joint presentation with Chris.

Q180 Chair: Right, thank you all for coming, and for the written evidence you have provided so far. Obviously, we are very much concerned about Local Authorities and what they can do in this regard. How far do you think the approach that the Government have announced will really give Local Authorities the support that they need to make sure that we keep regeneration happening? Who wants to start?

Chris Murray: Shall I?

Chair: Go on.

Chris Murray: I think the localist approach is really welcomed by all the cities that I work with, very genuinely so. However, there are questions about the distance of travel and the speed of travel in respect of localism, which has been questioned by this Committee in the report that came out earlier today. It is important, therefore, to try to define what the most appropriate spatial level is for the particular intervention, whether that is national, at the Local Enterprise Partnership geography level, or at the individual authority or community level. In the past, one of the opportunities we have missed is that we have sidelined policy that deals with economic opportunity and policy that deals with deprivation. There is an opportunity now to bring those two things together to connect them within cities. Between the national and the very local community level, the Local Authorities, particularly in urban areas, work in the role of integrator to try and bring together a very wide range of funding streams and initiatives. However, they do not necessarily have the control over the levers of regeneration or growth and productivity that they require. We feel that there is a need for a different relationship—perhaps a different constitutional relationship—between local and national Government, which would take in business and voluntary partners as well, with the authority acting as the statutory body. Beginning to look again at the role of local Government, I think, is fundamental now in light of things like the Local Government Resource Review, which opens up the door to that question. An example would be a more ambitious version of something like community budgets, which are a bit of a test, in a sense, for localism; trying to bring Departments together to concentrate their efforts in one area. We know that there is some reluctance, not in CLG, but in other places in Whitehall, to do that—really to let go. We think the solution around regeneration does mean radical decentralisation and shifting away from a very centralised working culture that we have seen in the past in Whitehall.

We are still, relatively speaking, a very centralised state, as I am sure members of the Committee know, in respect of the rest of Europe. We know that there is a very strong link between competitiveness, the ability to regenerate and a level of control that you have at the local level over finance. I think there are some big national structural issues that do remain the right and responsibility of national Government, such as high speed rail and High Speed 2, which we believe will have massive regenerative benefits to the core cities and surrounding areas; it will really help to begin to restructure the national economy geography. The previous discussion was about London. We all want London to do well. As core cities, we have never made any kind of anti-London argument and certainly would not begin to do that now. However, it is worth remembering that core cities’ urban areas deliver 27% of the national economy, which is a bit more than London, and independent forecasts demonstrate that they could deliver an additional 1 million jobs and £44 billion GVA over the next decade. Those are figures from Oxford Economics, who did the London study as well, so they obviously see growth potential everywhere, and maybe there is a truism in that. All we are asking is that we, and cities elsewhere in this country, have the same chance—the same fair crack of the whip—to deliver economic growth and regeneration, and reduce dependency in their cities as well. We are pioneering, we are truly national economic and regeneration strategy.

Chair: Could we just do other people as well now? We have gone a little bit beyond the initial question.

Barra MacRauri: I think the thrust towards localism and the subsidiarity of decision making is very positive. It allows places to be self-articulating, and that is crucially important because, linking into Chris’s point, the overall nature and the growth of how governance occurs becomes very positive. I have always thought that it cannot get into a public, private and voluntary sector debate, and it needs to be one sector shaping one place, and this is crucial. In relation to that thrust, I think there is a structural issue, where the cities of post-industrial scale have a need for continued investment, which they have had to, unleashing the opportunity that is there now in growing populations.

I do not think that the thrust of this work actually tackles a lot of that. What I mean is that there is innovation, investment, issues about the diversity of
the economy, and issues about growing enterprise, and there has been a track record of some success since maybe the 1980s. We should be mindful not to lose the best parts of what has occurred. Fundamentally, the great opportunity would be to go local with local funds that are determined in relation to local need to drive that economy.

For example, on enterprise growth, the LEGI—the local enterprise growth initiative—produced a tremendous amount of entrepreneurial growth within the city of Bradford. It was vast. We have also seen that that has been sustainable. Those jobs have grown and have gone past two years, etc. Therefore, the culture of entrepreneurialism that was already there in the history of how the city was developed needs to be pushed. The Local Authority can do that, but there is also an opportunity if you are a growing population, estimated to be the second fastest growing population in the country, to achieve that. For me, it is about localisation with the issues of local determination and local results for the national economy.

Mike Taylor: I wish to agree with everything my colleague has just said, but I have slight reservations about the Government’s policy at the moment. There is, correctly, strong emphasis on prosperity and economic revitalisation, but a number of colleagues around the table—I have heard only about 10 minutes of the debate—were emphasising the role of housing, the role of skills and the role of the soft issues, which are as important as the economic development issues. You cannot divorce the two. This has been said so many times, but regeneration is a process. It is not just one thing; it is not a silver bullet. It is a range of different issues that I do not think you can divorce. You cannot say, “That is it”. If it were one silver bullet, I think we would have identified it by now. It is a range of different issues, and I really do think it requires some support at the local level. Quality of housing, quality of place—all those relate to economic development, and I really do think it is important that members appreciate that, in terms of what we are all trying to do to revitalise our urban areas.

Mike Taylor: Can I just come in? I do not think it is anything new. Localism has been going on for years. I have been in urban regeneration in various cities—Liverpool, Birmingham, wherever—for nearly 30 years now, and localism is what we have been doing for 30 years. It is engaging with the business community and the residential community in terms of bringing forward change in their area. At the end of the day, these are the people who are going to live and work in their own patch, so this is not new. It has been branded as something new, but it is not.

Q182 Mark Pawsey: So the Government is wrong, in fact, when it is saying that it has all been top-down and central? You are saying the Government is mistaken?

Mike Taylor: No. In terms of the ideas and the revitalisation of communities, that has been very much bottom-up-driven for many, many years.
able to compete globally, even at a very local level, because people do not want to locate in dysfunctional places.

Q 184 Mark Pawsey: But do people see regeneration in communities in the technical terms that you have used to describe it? Barra, I know there is something happening in Holbeck in Leeds. Can you tell us about that?

Barra MacRuairi: In Holbeck or many other areas very similar to it, the issues are that you have a holistic response to problems that are deep-seated—that have taken place maybe through generations—and that need to be tackled in that manner. In terms of Holbeck or Manningham or any of these other areas that we have across the city region, through the Coalfields Programme or anything else, it is about addressing the nature of the place, the nature of the skills, the aspiration, the employment that is within that place, the connectivity to work, how that work can be recycled and the longevity of that community within it. How you invest in all that is key, as is how you invest in that by bringing together budgets in a holistic manner to attack that issue. “Attack” is probably quite aggressive, but they are issues that need to be addressed.

Q 185 Mark Pawsey: I am particularly interested in the community engagement. What was distinctive and different about community engagement in that programme?

Barra MacRuairi: In terms of community engagement, not necessarily in Holbeck, where I see distinctive issues that have been successful in community engagement is where we have very strong community leadership that is understood in relation to what you are trying to achieve, and where expectations are not raised beyond the point of delivery. For example, having worked across the whole of the Yorkshire and Humber region in most of the towns and cities in a previous life, the key aspect I have seen to that all is getting a community behind the true issues addressing in that community, and ensuring that they have an active part in the delivery of them, and that the funding streams are brought in in a collective manner against those issues.

Q 186 Mark Pawsey: When you speak about community leadership, are you talking about elected representatives, or other bodies or groups, or is it officer-led?

Barra MacRuairi: Community leadership is a title that often comes through a crowd. It can be an elected member or it can be somebody who has thought about this for so many years. Having stood up in front of endless communities in terms of community planning, suddenly somebody jumps out of the crowd, because they had been empowered to allow their voice to be heard, and says, “Now we are going to deliver this.” That might be a community politician member, a business person, or a parent. The effectiveness of regeneration is how you grab that and build upon it, and ensure that the process and bureaucracy that surrounds regeneration does not do it down. That is the key.

Mark Pawsey: Any comments from your colleagues?

Chris Murray: I completely agree with that. I think leadership at every level is absolutely key to this. Good leadership creates good leaders, not more followers. Barra also mentioned mentoring, which I think is incredibly important. There is one further issue I would just mention, which is capacity within the system generally for regeneration to deliver its goals. I question sometimes whether we have enough capacity in the system.

Q 187 Mark Pawsey: Do you mean money?

Chris Murray: No, I don’t.

Mark Pawsey: Well, what do you mean by capacity?

Chris Murray: I mean skills and knowhow, and knowledge of what works. Quite often a scheme will emerge; it will do its thing; it will disappear. What happens to the knowledge that has been created during that scheme? Are we capturing that and are we transferring those skills between schemes? That is a critical question.

Q 188 Bob Blackman: Moving on to financing issues, the Government have proposed, obviously, tax increment financing and also the utilisation of enterprise zones. Do you think that is going to provide sufficient funds to enable regeneration to take place?

Mike, could I ask you to answer first, please?

Mike Taylor: I suppose the answer is it will be sufficient funds to enable regeneration to take place?

Mark Pawsey: Any comments from your colleagues?

Q 189 Bob Blackman: For your area, how effective do you think it is going to be?

Mike Taylor: The proof of the pudding will be in the eating and the detail. It is very early days to understand the complementarity of what the enterprise zone will bring. As I say, the worry is that it will effect displacement. The discussions we are having with Boots at the moment, with respect to having the Boots campus as the enterprise zone, is that they do not want it to be a displacement; they want it to be complementary to everything else that is being undertaken in the likes of Derby and in Nottingham. It is about bringing things on the back of what is there at the moment, not sucking in existing activity to urban areas. It is a real challenge, but certainly the view is that is what the business, which is the lifeblood of the enterprise zone, as it should be in many cases, sees as the entity that it is trying to create.

Q 190 Bob Blackman: Chris, can I ask you to broaden this slightly, because I do not want to get the same answer from everyone? Tax increment financing relies on an increase in the business rates, potentially,
How effective do you think that is going to be in an enterprise zone?

Chris Murray: I think it depends entirely on the circumstances within that individual scheme. What I would say is that tax increment financing is something that we have campaigned for as a group for more than three years, and the particular schemes that we have campaigned on the back of have been very well worked out and very well understood. That is the critical issue with tax increment financing: it is not for every scheme everywhere. You need to be really clear about the risk you are taking as an authority here. Once everyone really understands what TIF is about, then not everyone will step up to the mark.

Q191 Bob Blackman: Can I ask you then: how are you going to use this opportunity?

Chris Murray: Of tax increment financing?

Bob Blackman: Yes.

Chris Murray: Basically, for schemes where there is a critical gap in being able to finance infrastructure at the moment. I will pick one example: the Aire Valley scheme in Leeds, which is a piece of contaminated land right next to the city centre with no transport link. If it were not contaminated, had a transport link and good infrastructure, that land would be of high value, and business would want to locate there because of its proximity to the centre. That cannot be funded. Tax increment financing allows Leeds, in this case, to reach a hand out into the future success of business on that site and pull some of that success back to create the infrastructure that will deliver that success for the future. There is always a risk in this, and that has to be calculated, and there are models that are fairly good at doing this. No Local Authority that is worth its salt is going to take that risk unless it is really clear about it.

Mike Taylor: It needs to be very confident that that activity will come to that patch, because that Local Authority is taking a big risk borrowing money against future income. With the best will in the world, it is an educated guess that the agents have got it right and that activity is going to come about as a result of that investment.

Q192 Bob Blackman: Taking your example, Chris, how would the good council tax payers of Leeds feel if this scheme is initiated and does not come off and they are left with the bill?

Chris Murray: That would be a very poor result indeed, so the authority needs to be extremely certain about its figures. What we are talking about in most TIF schemes is not: “either it will deliver or it will not”. We are talking about a margin of risk and that margin, generally speaking, when calculated, has to be relatively small for the authority to use, for example, the prudential borrowing route and its prudential powers to do that, which is a very strict code. I would also like to mention the Local Government Resource Review.6 I do not know whether I should mention that now or later.

Q193 Bob Blackman: I will come to that in a minute. I do not want to do so now. I want to look at some specific examples. Barra, you have this asset-backed vehicle. What are the risks that you are running with that proposal?

Barra MacRuairi: What are the risks of an asset-backed vehicle?

Bob Blackman: Specifically to yours in Bradford. What I am looking at is how replicable that will be across the country for other proposals.

Barra MacRuairi: The issue, in terms of TIF, enterprise zones or any asset-backed vehicle, is who is taking the risk. Local Authorities have the ability to use their land in order to offset some of that risk, obviously—to pool it with private sector debt, in relation to schemes that hopefully will come out, in terms of values, so that can deliver back a product. You are incentivising growth at every part of that stage. You do need the market to return the values, so the overall development appraisal is achieved. The opportunity to stimulate the market is key. To bring inward investment into areas where there is a weaker market is a need. That is absolutely crucial.

In terms of the enterprise zone, yesterday the local newspaper, Telegraph & Argus, said the enterprise zone was the boost the city needs. That is actually the opportunity for the city to look at what Bradford needs as a place and to say, “We know this development is near to the city. It could come. The incentive of business rate relief will nudge us towards it.” The Tax Incremental Finance is a higher structural shift; it is a bigger push. If tax incremental financing allows everything from stamp duty to VAT—the whole lot—to be put into the pot, you can grow big sums of investment. The issue then, of course, is the risk of whether you will get the return. The system of regeneration is often incentivised to up your numbers, so you up your growth numbers, you up your employment numbers and often the risk is you up your deprivation. That is not good, so there is a duty—you would hope it was there—to have tremendous honesty about where the economic growth will come from. That comes back to making sure that it is not 100% but the margin that you actually need—the gap. If the gap is too big, it is not going to be delivered. If the leverage is too high, then you do not understand why the private sector is not doing it anyway.

Q194 Bob Blackman: I now want to move on to the Local Government Finance Review.7 What would you like to see out of it that will actually advance the cause of regeneration?

Chris Murray: For the cities, it is a fundamental rethink of the role of local government. This for us is the component of the review that is missing at the moment. We understand the imperative to work through the complexity around the business rate issue that the previous reviews have become mired in. There is real complexity around local government finance. At the moment, without looking at that further journey of decentralisation of finance to local government and that wider role, the private sector analogy would be that it is a bit like a business group.

6 To be published in July 2011. Terms of Reference can be found at www.communities.gov.uk/documents/newroom/word/1866650.doc

7 http://www.communities.gov.uk/statements/corporate/finance201113
Perhaps if I give the example of Chris Murray: of business rates. Is that what you want to do? business rates, it is almost changing the whole ambit wider journey is something we would like to see. investment in the infrastructure and so forth. That productivity within their cities—skills, worklessness, Authorities and allow them to deliver that growth, very productive knowledge industries. What is that incentivising when we know that to grow our economy we need investment in knowledge-based industry for the future? To really incentivise Local Authorities and allow them to deliver that growth, they need additional control over the levers of productivity within their cities—skills, worklessness, investment in the infrastructure and so forth. That wider journey is something we would like to see.

Q195 Bob Blackman: So it is not just retention of business rates, it is almost changing the whole ambit of business rates. Is that what you want to do? Chris Murray: Perhaps if I give the example of community budgets, which at the moment have been fairly localised pilots. These have the potential to work at a much wider level and to take in a much wider range of funding from different Whitehall Departments and resources, and to pool these at the local level. That will do two things. It will create a massive efficiency in our view and secondly, it would create leverage on private sector investment for private sector growth. Currently, that is something we are not able to do. We would also like to have greater control over commissioning and investment for skills and worklessness. That is not necessarily an issue about who holds the budget; it is just about that sense of local control to make sure you get the right result within the functioning economy and the functioning labour market. It is those sorts of wider issues we are very keen to discuss, and we have recommended a phase three for the resource review to do just that.

Bob Blackman: M like, Barra—any particular issues? Mike Taylor: It is very difficult for me to say that we should retain all our business rates, because we are actually a net recipient of redistribution. It would be like turkeys voting for Christmas to be saying that, but I concur with what Chris was saying. If you are the beneficiary of your success, you should reap the benefits from it, in terms of the business rates. You can plough that back into infrastructure, etc, but it needs to be complementary with the other bits and pieces that go with the ability to kick-start the economy, as in the training etc. that has been referred to many times during the course of this afternoon.

Bob Blackman: Barra, do you have any other things? Barra MacRuairi: Discussing the economy in place is relatively new, actually. Ten years ago, I did not hear about Local Authorities having economic strategies. Incentivising economic growth as a core function of local government is key. If this allows that to occur and focuses the mind—and maybe the maturity of the entity—towards that goal alone, I think it is very welcome.
It depends how you package the bid up, but there is a recognition that you cannot have one without the other, to be brutally honest.

**Q198 David Heyes:** So that is cautious optimism. **Mike Taylor:** Yes. I will tell you in a few months’ time if it has been successful, but I think there is a realisation that there needs to be a bit more flexibility, in terms of the interpretation of what constitutes the terms of reference of the RGF.

**Chair:** Okay. On that note of cautious optimism, we will conclude our session. Thank you very much indeed for coming to give evidence to us today.
Monday 20 June 2011

Members present:
Mr Clive Betts (Chair)

Heidi Alexander
Bob Blackman
Simon Danczuk
David Heyes
George Hollingbery

James Morris
Mark Pawsey
Steve Rotheram
Heather Wheeler

Witnesses: Dennis Seal, Director, Kier Residential Regeneration, Kier Group, Ken Dytor, Chair of Regeneration Committee, British Property Federation, and Chris Brown, Chief Executive, Igloo Regeneration, gave evidence.

Q199 Chair: Good afternoon, and welcome to you all to our fourth evidence session in the inquiry into regeneration. Just for the sake of our records, could I ask you to say who you are and the organisation that you represent?

Ken Dytor: Ken Dytor, representing the British Property Federation.

Chris Brown: Chris Brown from Igloo Regeneration.

Dennis Seal: Dennis Seal from Kier Residential Regeneration.

Q200 Chair: Right, you are all most welcome. Thank you for the written evidence you have given us so far and for coming today to give oral evidence as well. The Government have issued their paper Regeneration to enable growth. Do you think that a sufficient way forward is identified to stimulate regeneration and enable it to happen?

Ken Dytor: Absolutely. I think that the DCLG paper sets out the current range of Government initiatives quite comprehensively. What is refreshing is the fact that regeneration is back on the agenda. At the BPF, we were disheartened that, at the last election, regeneration fell off the manifesto of whatever party. I think it is very important that we bring it back on to the agenda, because it is crucial for the economic sustainability of this country that we take a comprehensive approach to regeneration.

Chris Brown: I would just add to that that perhaps you might describe the paper as a statement rather than a policy. I think this inquiry is really welcome, because hopefully it will start a debate with Government, although I am slightly worried that they may be defensive rather than proactive in the debate. I would like to see them moving towards a proper regeneration policy, and I hope this process can help take us there.

Dennis Seal: Within the document, I think that there is a risk of not knowing what works and, as a result, not knowing what needs to be done. I think there is a lot of change happening within the report. Things like reduction of grants, the switch from social to rented housing, the move to localism and a lot more are confusing in some respects, and we have yet to get to grips with that. An analogy is that it is like ducks on a pond and how we put them in a row. That still has to emerge.

Q201 Chair: “Proper” can mean a lot of things.

Chris Brown: Better worked out than four pages of A4.

Dennis Seal: Within the document, I think that there is a risk of not knowing what works and, as a result, not knowing what needs to be done. I think there is a lot of change happening within the report. Things like reduction of grants, the switch from social to rented housing, the move to localism and a lot more are confusing in some respects, and we have yet to get to grips with that. An analogy is that it is like ducks on a pond and how we put them in a row. That still has to emerge.

Q202 Chair: You just mentioned the issue of public funding. Obviously there are reductions in public funding right throughout, including with local authorities and central Government schemes. Also there is a national economic situation where the building industry does not have an awful lot of work. Do you think the Government’s proposals in Regeneration to enable growth really address the situation that the country finds itself in, both in regard to the spending cuts and the economic situation that the industry faces?

Dennis Seal: In there is the basis by which that could be achieved, but we in our industry have a learning curve to understand all the different parameters within that document and all of the different changes that have occurred. As a result, it will take us a little bit of time to respond.

Q203 Chair: How long?

Dennis Seal: We have to work up live schemes and understand how they work through the system. In regeneration terms, that can be anything from six to 18 months.

Chris Brown: I do not think that the document faces up to the lack of private sector funding that is out there at the moment. It is not just the lack of public funding for regeneration; it is the lack of private funding for regeneration as well. The mechanisms that you would need to bring what private funding there is available to bear on regeneration are just not talked about in the document, so that is things like aligning the public funding flows from all sorts of different programmes so that we can use what public money there is to attract private money, and doing things like rental guarantees perhaps, or using public assets to attract what private money is out there. None of that stuff is really picked up in the document.

Ken Dytor: I would endorse that and go further. One of the things that we are doing well as a country is attracting internal investment into the UK from abroad. There are great opportunities at the moment to attract investment into the UK. I think that UKTI could be doing more to manage the process of talking to foreign Governments and wealth funds to parcel up
the opportunities so that we can work with them to attract investment from abroad. I work a lot in China and at the moment, for example, there is a great opportunity to attract investment from there. We should be doing more comprehensively as a country, through UKTI, to patch up the cash flows into the UK and to start selling these UK regeneration schemes. There are some very good stories to tell.

**Dennis Seal:** I agree absolutely.

**Q204 Heidi Alexander:** Chair, may I ask the witnesses for some context nationally? In my constituency, there were a number of regeneration schemes that were always on the edge of viability and required public sector funding to make them stack up. In your experience, how big a problem is that across the country, with stalled regeneration schemes that may have taken four or five years, but now might take 14 to 15 years? That would give us a sense of the scale of the problem.

**Chris Brown:** We are very much a national organisation. For us, by definition, a regeneration project requires public subsidy, otherwise it is just a property development and it happens in the normal course of events. Our experience at the moment is that because of the lack of public funding to subsidise such projects, there are almost no projects anywhere in the country that can go forward at the moment. For us, pretty much every regeneration project in the country has stalled. There are a few exceptions, because there might be a major occupier that is prepared to go to a site, but I would say that something like 90% of major regeneration projects are stalled at the moment.

**Ken Dytor:** I would endorse that.

**Q205 George Hollingbery:** As a corollary of that, over the past 10 or 15 years, an awful lot of public money has been available for regeneration? The more I talk to people about this, I suspect that that has actually stymied creative thinking in the private sector about financing options. Are there financing models out there that require some flexibility in the public approach that you could bring to bear if the public sector could open itself up to a bit more creativity?

**Dennis Seal:** I think that we are beginning to see some evidence that there are products that may come to market in the near future, but I still think that some of them may be six months away.

**Q206 George Hollingbery:** Nevertheless, there is a well of private money out there. Should it be able to be allied to certain cash streams to shape investment that does not currently exist so that we might be able to find our way forward?

**Dennis Seal:** From what I understand, there is money available through institutional investment.

**Chris Brown:** Can I just jump in there? The answer is that there is not for something that is called “regeneration”, but there is for something that is seen as low-risk cash flow. It is turning regeneration opportunities into low-risk cash flows that we need to do, if we are going to get private money.

**Q207 George Hollingbery:** Is there not a confluence between affordable housing, housing benefit, local housing allowance and low-risk cash flow?

**Chris Brown:** That is definitely one of the places to look, yes.

**Ken Dytor:** We need to be getting cleverer at the way we package the cash that is coming out of Government. I have long been arguing about the fact that there are capital cash flows going into health, education, housing, etc. We need to be looking more cleverly at how we harness those cash flows. They are in silos still, such as university funding, and there are opportunities to break down the barriers for mixed-used developments. A lot of this—universities and education—can be in areas where you need regeneration. Let us be a lot cleverer about how we use those cash flows and how the schemes are put together. The silo mentality still exists.

**Q208 George Hollingbery:** Sure. If we could leverage the massive cash flows across Government going into one regeneration area, we could achieve an enormous amount of fabric being put in place.

**Ken Dytor:** Yes.

**Q209 Mark Pawsey:** We have touched on the need for regeneration across a broad field. There are some schemes that are very serious, where there are massive demands, and others that are quite marginal. Does the Government’s approach effectively identify those areas that are in greatest need? Does it enable us, if we have fewer resources, to target those resources and the areas where we can achieve the best results?

**Chris Brown:** One of the concerns we have is that there are various policies coming through that are not regeneration policies per se. They are tending to shift capital to the areas that already have—the higher-value areas. These are things such as the New Homes Bonus. More money will be released by the New Homes Bonus in areas where building homes is already viable. That almost automatically un-levels the playing field, so regeneration areas find it harder and the more prosperous areas find it easier. That is a major concern in this area.

**Dennis Seal:** That is correct. Most of my experience is more confined to London and the south-east, but it is perhaps easier to make opportunities work in those areas.

**Ken Dytor:** I think it is a question of identifying the resources available. I still feel very strongly that there is a need for an audit over resources in areas. The Regional Development Agencies have now gone—I am not commenting at this moment about that—but there is a need to identify the resources in areas that can be applied. Until we do that and we can see the cash flows around that, talking about what goes into deprived areas becomes slightly meaningless. We need to look at the overall piece of what is there, in terms of what resources are available in an area, how they can be harnessed and how they can be harnessed into those areas where there is a need for such investment.

**Q210 Mark Pawsey:** Do you think the Government are sufficiently clear about what regeneration should
take place and where, compared with redevelopment and where economic growth should take place? Are these terms mixed up in the document, or are you happy that the Government are sufficiently clear in their own mind about what they mean by regeneration?

**Chris Brown:** The Government always used to be clear and had a very clear definition, but the policy narrative at the moment is so much dominated by growth that the issues around deprived neighbourhoods have been forgotten. The document reflects that.

**Q211 Mark Pawsey:** So do you think there is a danger that, in some areas, the cost of regenerating is so high that they might be left on one side in the present climate?

**Chris Brown:** It is a really difficult decision as to where you focus limited funds for regeneration. We have had a discussion about how to focus funds, but the question of where is also very difficult. There are undoubtedly some areas—often the areas of greatest deprivation—that are the most expensive to do that. If you do not have unlimited resources, it might be better to put money into those areas that are less expensive to bring back into the market rather than the most deprived.

**Q212 Mark Pawsey:** In the present climate, would you be happy to put those on one side and wait for the general economic climate to become better, and then come back to them properly later on, rather than having a half-hearted attempt at them now?

**Chris Brown:** You cannot completely put them to one side. There are people living in those areas who are in desperate need. If you cannot bring them back to the market, you have to have a different strategy for managing them.

**Dennis Seal:** That is very appropriate. It is incredibly difficult to make schemes work in certain areas—this is the viability of schemes—but it is those areas that often need the most effort and time. The question is really approaching this with a can-do mentality—to find ways of making this work. We have an obligation to grow our market, so we need to bring along the investors, funders and the whole complex system. Going back to the first question, we have to understand this ourselves to be able to make it work, and to bring along the resource, skills and expertise that enable that to happen.

**Ken Dytor:** I would endorse that. There are limited resources available; we have to make best use of them. I am not sure that we have identified the outcomes sufficiently—this is what makes a good outcome—because we do not want to waste money. We have to use our resources very carefully.

**Q213 Simon Danczuk:** Just in terms of limited resources, do you think competition among areas—a formal competition that we now see with enterprise zones and also with the regional growth fund, and as we saw originally with city challenge, where areas are competing for a limited budget—is a good way of doling out the money from the Government? Should it be down to Government identifying which areas should get it, as opposed to having formal competitions?

**Chris Brown:** I think it is a bit of both.

**Ken Dytor:** I was going to say both—very much so. I think you need both. Competition is a good thing, because that is where we all need to raise our game. We need to get better outcomes collectively, wherever it is. Equally, however, we actually need to identify those areas that, for whatever reason, cannot survive. We do need to make sure that that angle is covered at the same time.

**Q214 Simon Danczuk:** Are you saying that better bid writers get the cash rather than those who need it?

**Chris Brown:** I would agree with my colleagues that a competitive process is valuable, but the onus is then on the people judging the competition, because what you cannot have are the hardest places losing all the time. You have to be very good at judging those competitions and understanding where their starting point is.

**Ken Dytor:** Procurement process and bidding are areas where we need to improve. We have wasted far too much money in competitions that have gone nowhere.

**Q215 Heather Wheeler:** I am the new girl on the Committee, so I have been following this with great interest. My background is that I have been dealing with regeneration issues for 30 years. The conundrum for me is: are we talking about regenerating an area and making it greener, or are we actually talking about economic well-being and numbers of jobs? Then, are we talking about apprenticeships? Which bits of the packages ought to be put together, or should we be talking about only one element?

**Ken Dytor:** No, you have to look at it in the round. First and foremost, we have to go for economic health and sustainability because that flows these other equally important agendas. If you take away economic sustainability, you are on very weak ground, in my opinion. We need to drive forward the economic strength of areas, but that does not mean that sustainability, education and health go by the board. They do not, because there are outcomes that are as fundamental.

**Chris Brown:** May I address that slightly differently? There are two precursors before you can start doing regeneration. One is sub-regional economic prosperity. A lot of what the LEPs are doing is around that agenda. The other is people having the incentive to work. What the Government are doing in relation to Universal Credit is around that. If you have those two in place, you have to do the social, the economic and the physical. We have learned over decades that if you only do two of those three, it does not work.

You have to do all three.

**Dennis Seal:** The act of building creates opportunity in itself. The act of regeneration creates opportunity. It creates apprenticeships and training programmes, but the longer term is actually the physical—what we physically put in there to ensure that there are employment opportunities that last for a lifetime.
Q216 Chair: Do you think that the Government have that balance right at present?
Chris Brown: I think that the Government are actually doing quite well on the preparatory side. I do not underestimate the challenge around universal credit and the sub-regional prosperity challenge. That probably is the place to start but, once you have made progress on those two, you then have to come to regeneration. I do not think they have got to the starting line there yet.

Q217 Mark Pawsey: Have we got the physical right though, because we took evidence in Manchester that when things are a little bit quieter to make certain that the plans that we are bringing forward are the right plans?
Chris Brown: No, we are not. One of the things that I am concerned about is that, as part of the localist agenda, the Government have abdicated on standards, particularly design and environmental standards. They have said, "These will henceforth be local." Actually, it is a huge challenge for local government or communities to come up with design and environmental sustainability standards.

Q218 George Hollingbery: Is that true? We have not seen the National Planning Policy Framework yet, so how do you know that?
Chris Brown: The Government have made that statement. HCA standards have been dropped.

Q219 George Hollingbery: We have not seen the National Planning Policy Framework yet, and I suspect there will be a great deal in it about design and sustainability.
Chris Brown: All Government statements are about local standards. The Government may well say in the National Planning Policy Framework that design is important but, in terms of the standards to which we operate, they have said, "They need to be local." Our challenge will be that we might have 300 to 400 different sets of standards around the country, which will be very difficult for the private sector.

Dennis Seal: There is a distinct difference at the moment between the LDA standards and standards outside London, which is quite marked in terms of size and area.
Ken Dytor: This is very important if we are going to attract external investors in as well. We need standards people can understand.

Q220 James Morris: There have been a lot of changes in the institutional framework in the regions. You were alluding to the abolition of the RDAs and the creation of Local Enterprise Partnerships. What is your initial assessment of the impact of that institutional change on regeneration, just as an initial thought?
Chris Brown: May I just introduce that with a very short bit of history? Probably about 15 years ago, we got the institutional framework for regeneration wrong and we split economic from housing from social. Where we are now is potentially moving to a better place. That is not so much with LEPs as far as regeneration is concerned, because LEPs are primarily about economic development and not about area-based regeneration, but the framework I see emerging is local authorities in the lead with HCA in support. If we can get HCA to be a more holistic regeneration agency, and not just housing-focused, I think that that combination might work.

Q221 James Morris: Mr Seal, you were quite critical about the potential of Local Enterprise Partnerships in the evidence that you presented to us, saying that you did not think they would be able to provide the kind of environment for regeneration. Will you just elaborate a little bit more about that?
Dennis Seal: It is an area in which we are looking at how a business such as ours can fit within the delivery. Actually, LEPs are more positive. We understand them more. We are now involved in working with a number of LEPs and have seen the benefits from that. In fact, I think our view is positive, as opposed to what we originally put in the report, so we changed our minds.

Q222 James Morris: What made you change your mind?
Dennis Seal: I agree. LEPs are seen as a good thing in principle. There is a need for local bodies with a focus on delivering economic development. The bottom line is actually how local authorities work with local organisations and also business. What this does do is to force an emphasis on public-private partnership, which actually I think is much needed. Historically, there was too much activity taking place that actually was not true public-private partnership. The detail will prove whether or not that works, but it has the potential to deliver much better solutions.

Dennis Seal: One of our concerns was also that as the skill base for the RDAs was actually transferred as part of the process, we should not lose the skills and the knowledge base that we had.

Q223 James Morris: There is just one further question. A couple of you have made allusions to the Government’s localism agenda. I cannot quite work out whether you see it as a barrier or an opportunity. I know that is slightly tangential from my first question.
Chris Brown: My response would be: in regeneration, you absolutely have to have a locally-led process, so localism is absolutely the right approach to regeneration. However, you also have to transfer resources from wealthy places to places in need. The danger of the localism agenda is that neighbourhoods are left to sink or swim, and the deprived neighbourhoods will sink.

Q224 David Heyes: You mentioned concerns about the skills base. May I try to tease out a bit more about
As a generalisation, we have lost a Chris Brown: coast. However, we do need to have support and skills— it is not very good having something sitting in looking at the localism issues— where the best to maintain skills and to bring skills in. If we are generalise. The important thing is that there is a need to one area is the same as another. It is very difficult to generalise. The important thing is that there is a need to maintain skills and to bring skills in. If we are looking at the localism issues— where the best decision-making processes are going to be at a local level— it is not very good having something sitting in London making a decision for down on the south coast. However, we do need to have support and skills that are able, and can be brought, to support localism and its delivery in local communities.

Chris Brown: As a generalisation, we have lost a huge quantity of people with regeneration skills, and that is in not just the public sector, but also the private sector. However, as we are also doing a lot less regeneration, it will become a problem only if we try to ramp regeneration up, and then in some places it will become a problem very quickly.

Ken Dytor: There is a potential tragedy here, because we actually had built up a skill base, particularly in urban regeneration companies and so on. I went to see a number of them a couple of years ago, and there are some really dedicated people in these pockets— Blackpool, wherever it might be. They have just been closed down en masse. A lot of those people were towards the end of their working careers and have just gone into retirement or whatever. That is a great shame, because there was an enormous amount of skill and we should be looking hard at what we can be doing to harness those sort of people and bring them back in to make sure that there is a crossover with the new younger breed of people coming through into regeneration when, as Chris says, we get recovery.

Q225 DavidHeyes: You pose the question, so what can we do to retain those skills? Is the damage too deep? Has what has happened so far been so damaging that this is beyond repair? What shall we do? Dennis Seal: I do not think that the damage is so deep. It is beyond repair, because I still see evidence of very good and capable people working in the sector. The danger is that if we are not able to continue the stimulation of regeneration, we will lose those very good people as well.

Q226 George Hollingbery: Chair, I am sorry to be a little wonkish, although I would not say it was deliberate, but the question I was asking earlier about financing models— Chris Brown: You are talking to three works, by the way. George Hollingbery: I do not mind; I feel at home. On public sector land sales, I have had the opinion given to me from several commercial quarters that there is a potentially enormous opportunity being missed here in that if you just have a fire sale— a garage sale; a bring-and-buy sale— of lumps of public land, you are basically going to get a few quid for the public coffers and not much of a result. There is real potential here for new models of working: co-operation between private and public; different ways of using that land; mixed tenures; financing across; and the 80% market— all of these things working together. Kier was particularly voluble about this. Can you elaborate a little about what you think we might do and how we might use this opportunity more effectively?

Dennis Seal: I think Chris put it quite well earlier: it is cash flow and projects. We are looking at de-risking schemes. Some of that de-risking might be through deferring the land payments, such as is available within the HCA’s Public Land Initiative and Development Panel, which I think is a very good and positive scheme. It is something that we can quickly get to identify opportunities. We can engage quickly as part of the procurement process and get the schemes to site very quickly. The opportunity is there to look at how we can deliver through the rented market— whatever that rented use may be— to build and develop those schemes now, perhaps to cash flow building works of those schemes as a contractor would, and then to look at how we can bring on the institutional investors to take those units.

Q227 George Hollingbery: In effect, what you are saying is that there is a real opportunity here to carry out experiments in unitising, securitising, and sorting out something to do with rental flows on those properties in these areas. Dennis Seal: A lot of the industry today— my colleagues will comment— has been looking at this for some time and will be moving forward with that as part of their business plan.

Q228 George Hollingbery: So it is “needs must”, but there is real room for innovation here. Dennis Seal: There is very real room for innovation. Ken Dytor: It has been there for a while. BPF worked very closely with the HCA two to three years ago on raising the private rented sector initiative. It was very unfortunate that it never really got off the ground. We went out to the market jointly. We found that there were something like 67 expressions of interest from institutions— from Legal and General and others— to invest in the private rented sector initiative. Probably more than ever, we need a strong, solid private rented sector initiative in the UK. It would help to stimulate building. The investment is there for it. In that situation, you can put the land into joint venture with those investors and the contractors, and definitely create a new model.

Q229 George Hollingbery: I presume that you gave the local authority or whoever had that land a kicker at the end of it.

Dennis Seal: It is a good use of the assets because one can look at the appreciable changes that will occur
in the future. If, as one hopes, growth returns, there will then be an upside.

George Hollingbery: A dynamic approach is that we should balance our efforts for the Government as well, which no doubt would be welcomed.

Chris Brown: Can I just jump in with a techie point? When that was originally designed, the kind of innovation you are talking about was designed into it. It is not actually being used like that. It is being used primarily just to sell sites in the normal way.

Q230 George Hollingbery: That brings me right on to the next question—why? Is it the public sector not trusting the private sector? Is it some sort of mistrust of the motive—"We are just trying to get our sticky fingers on public assets"? What is it, and how do we get over the problem that means that these things have not happened in the past 10 years when they should have happened?

Chris Brown: For me, it is primarily cultural. The development industry tends to give public sector landlords a bad time. The feeling there is being raped—and generally they are. We need to find transparent processes whereby the public sector in particular can have confidence that that is not happening. It is actually a huge challenge. Changing the minds of local authority estates directors that there is a new way of doing things is a really big ask.

George Hollingbery: This is exactly where I sit. It is a very exciting model, because there is a pool of money out there that is looking for steady cash flow, but this is a real barrier. I am just not quite sure I see how we get over it, other than by the Government instructing, but as we know this Government are not keen on instructing. I shall leave that hanging.

Q231 Bob Blackman: We know that public sector finance is going to mean smaller amounts of money. You have given us evidence that private sector money will also be in short supply. Every regeneration scheme that I have ever heard of has required not only public funding, but private sector money to be invested—to be leveraged—as a result. Given the circumstances, what does the public sector have to do to get away from "them and us", because actually it is in our mutual interest. At the moment, the private sector side—move these initiatives forward, because we need to change the culture. We have a lot of complexity in these financing arrangements, which are going to be very hard for some of us to navigate through.

Ken Dytor: We need to change the culture. We have to get away from "them and us", because actually it is in our mutual interest. At the moment, the private sector is finding it very difficult to get anything under way. The public sector wants to get things under way. We have to find a better way of working together.

Q232 Bob Blackman: One of the key concerns from the public sector’s perspective is going to be, “We do not have much money, so we want to concentrate on certain areas that are going to produce the best potential.” Who decides what that best potential is, given that the public sector is going to invest up front in the hope and expectation that the private sector will invest afterwards, but it does not have a great track record of identifying where that is going to happen? As you say, it is a chicken-and-egg situation.

Dennis Seal: The alternative is to try to bring it along at the same time.

Chris Brown: In relation to who decides, the process with which we have success in the past has been when the public sector sets out its priorities very clearly and then goes to market and says, “Help us deliver.” You have two stages. The public sector is saying, “Out of the universe of opportunities, these are the ones that we want to do,” and then the market comes in and says, “Out of that group, these are the ones we think we can do.”

Q233 Bob Blackman: In your written evidence, Chris, you said that complexity has to be taken out of this whole process. What are you talking about there? What has to be done to remove these barriers?

Chris Brown: Maybe this is completely naïve, but I would like a very simple situation where a local authority says to me, “That is the area we want to regenerate. We are prepared to guarantee 70% of the rental income from your development. Come and develop.” If the public sector is prepared to take that level of risk, I can finance it. Actually, it is not using any cash and it is very unlikely to make a loss if it is only 70%. I am looking for a simple tool along those lines. There is a lot of complexity in some of these financing arrangements, which are going to be very hard for some of us to navigate through.
Q234 Bob Blackman: This all covers initiating schemes. By their very definition, regeneration schemes tend to be long-term investments and long-term development. We have already heard evidence of areas of the country that have had 30 years in which millions of pounds have been poured into them, yet the deprivation is still the same. Their evidence to us is, “You have to keep pouring the money in otherwise nothing will happen.” Do we carry on with that? Is that your view, or should we take some radical steps and say, “Sorry, you’ve had enough,” and cut it off?

Chris Brown: I am not sure about the 30 years, but certainly over the past 15 years, we have had some substandard regeneration programmes in this country. I know you have Lord Heseltine here next week, so you might want to ask him this, but from my perspective, the best we ever got was City Challenge, which was probably about 20 years or so ago. A number of the City Challenge areas actually have been successfully regenerated. If what we are looking at are small areas that we now do not think about, because they are operating as normal places, it was the case that when we had those area-focused teams and we did the social, economic and physical together, we succeeded. I was here when Robin Wales was here, and there are parts of Newham where, given some of the rubbish that is being built, we are going to have to re-do it in 20 years’ time. It has not been done well.

Q235 Mark Pawsey: Why did we not learn the lessons of City Challenge, if it went wrong? How did it go so wrong?

Chris Brown: I hate to say this but it was political. There was a view that focusing large amounts of capital on particular neighbourhoods was less attractive politically than spreading it. Through the Single Regeneration Budget, we spread a lot of money very thinly, so we failed to regenerate a lot of those places.

Q236 Heidi Alexander: I just want to come back to the issue about de-risking regeneration projects at the beginning. Some of the mechanisms for doing that will involve money. I am thinking of a regeneration scheme in my own constituency in Catford. If you are going to decamp 300 properties, you are going to have to use the private rented sector to put people in to get a site ready for regeneration. Where is that money coming from? The local authority is looking at are small areas that we now do not think about, because they are operating as normal places, it was the case that when we had those area-focused teams and we did the social, economic and physical together, we succeeded. I was here when Robin Wales was here, and there are parts of Newham where, given some of the rubbish that is being built, we are going to have to re-do it in 20 years’ time. It has not been done well.

Q237 Heidi Alexander: They are not there.

Ken Dytor: They are not there anymore—I appreciate that absolutely—but we need to go out and see what is there going forward. It may be in your area it is not there, but there are other locations where there is money. We just have to be a lot cleverer about the resource that is available. We also need to bring confidence back to put in place new structures, whether or not we put the land in. We have already heard from Chris and Dennis that investment will come into those situations in key locations where the land is put in. An income flow can be created. Affordable housing is an area in which people will invest.

Dennis Seal: There is an opportunity, with the assets being put into new initiatives, for contractors to build, for institutional investors and investors to buy, and for local authorities and RPs to manage. There are innovative vehicles for delivery that can be created around that scenario, and that is very simple. It is commercial leases; head leases.

Q238 George Hollingbery: It is not beyond the will of man to create a product that creates 300 dwellings elsewhere. It may be in a caravan park to begin with.

Dennis Seal: The question actually comes back to the end. Again, this is a point that was well made by Chris: who takes the lease? Who takes that lease at the end? If it is the Government, that is fine.

Q239 Simon Danczuk: I wanted to ask about enterprise zones, particularly starting with you, Ken, because the British Property Federation evidence seemed to suggest that they were a good idea. That is not the impression I get. One academic described them as a “recycled experiment”. The Work Foundation core cities group think-tank said that they create displacement in terms of jobs and design standards in some of the locations were not very good. Somebody else said that they benefited property owners at the expense of local people—I do not know if that is why your organisation is in favour of them. What is the panel’s view of enterprise zones?

Ken Dytor: Our view is that we have not got a problem with the concept of enterprise zones but, at the moment, they offer very little that would stimulate new development. There is not a lot in enterprise zones that local authorities could not do themselves, to be perfectly honest. There are no real incentives; there is no pump-priming. Enterprise zones are okay in principle, but I can understand some of the concerns that are coming out elsewhere because we have them as well. There needs to be a lot more detail in and support of the enterprise zones to make them successful.

Chris Brown: I would say something very similar to Ken, but come to a slightly different conclusion. I would say that, on balance, they are a bad thing. They are bad either because they are located out of town—they will undoubtedly move occupiers from inner urban areas to out of town—or because when they are in town, there will be huge displacement effects across the boundaries. Actually, “huge” is probably an overstatement, but there will be displacement effects.
at the margin with occupiers. Our concern is that, for example, the enterprise zone plan for Birmingham is around the city centre. The area that is going to be negatively affected by occupiers who will no longer go there is much bigger than the area of the enterprise zone. We are actually seeing developers losing confidence because they are outside the boundary, and there are many more of those than there are developers inside the boundary. On balance, we think they will be negative.

**Dennis Seal:** My main experience of them is in looking at the Royals. Perhaps for that area and location, it might have some merit, because there is the opportunity in the Royals. They are large areas— they are very sizeable sites—but there is also potential for a lot of residential development. Without the regeneration in a more commercial vein, it would be very difficult to stimulate extra growth for the residential sector. That is perhaps evidence of where, personally, I think it might work. In other areas, and certainly in respect of Birmingham, however, I think there are issues.

**Q240 Chair:** We have just talked in the last few questions about the need for local authorities perhaps to rethink how they do things and to take different approaches. Are there any good examples around the country of authorities of which you can say either that they have got it right, or that they are beginning to get it right and to think in the right direction?

**Chris Brown:** I will give you a couple. To be very boring, I will start with Manchester.

**Chair:** We have just been there on a visit, actually.

**Chris Brown:** The example I would use is what they are doing with their Evergreen fund, which is JESSICA funding. They have built what I think will be quite an effective financing mechanism on the back of quite a small amount of European money. The other example I would give would be Wales. Wales has confidence about its ability to work within the constraints of European funding rules. It has done things like giving guarantees on buildings and it has taken risks. In the past couple of years, it has made some good projects happen, and we do not really see that with many English local authorities.

**Q241 George Hollingbery:** I am sorry to interject, Chair. We took evidence in Manchester that there was some reluctance in the Treasury to sanction schemes that were innovative and leveraging out for private capital. Is that also the case in your experience?

**Chris Brown:** We work within a framework of European and Treasury-inspired rules, which we kick against on a regular basis and get very frustrated by. If they were flexed and moved, we would be able to do a lot more.

**Ken Dytor:** On the other side, we, at BPF, had a meeting with DCLG recently. The DCLG officers told us that they had certain local authorities that did not even know what JESSICA was, which I think is almost criminal, if not negligent. We certainly need to ensure that the knowledge base about the tools that are available is improved by far.

**Dennis Seal:** I do not have any examples.

3 The Royals, Manchester.
Dennis Seal: Yes, very much so.
Chris Brown: I would have a couple. I am actually a great fan of neighbourhood planning, but the amendments that have been introduced in the Lords have horrified me—Ken will have a different view. You are trying to encourage communities to get involved in this stuff, but in my view, offering the prospect of business-run neighbourhood plans that are there only to promote business will scare a lot of communities off. Actually, it would probably have been better for regeneration if we had just left the planning system alone, because the planning system has not really been a problem for regeneration.

There are a couple of specifics that I am very concerned about: one is the proposed change to the Use Classes Order. That is allowing business use to become residential use. That could desolate places like Silicon roundabout, and all sorts of really great mixed-use regeneration would just disappear. The other one is the mismatch between planning policies on affordable housing and the new Affordable Rent Grant system. What we effectively have to do now is that, every time we do a project, we have to have two negotiations. If you were designing a system to slow things down, as Dennis says, that is the one we have now gone into.

Ken Dytor: The members of BPF would probably have mixed views about it. Some would probably say that the planning system is not a problem; others would be splitting and cursing saying it is a major problem. My own personal view is that, in fact, I do not think the planning is the problem—it is the attitude of mind of various councils. Some councils are actually brilliant in seeing through schemes, and others are actually hopeless. That is the big problem; it is the culture that exists in certain councils of how they apply themselves to the process. My own concern is more about the procurement process than the planning process.

Q247 Chair: That is a general problem, is it?
Ken Dytor: Yes.

Q248 Chair: Does that need a more general national solution? In that case, who should be giving it to us and who should be taking the lead on it?
Ken Dytor: Very much so. We had a number of meetings with DCLG on procurement issues where we highlighted various issues around procurement—the need for streamlining and for reducing cost. Those needs are still in place. We need to give people confidence. At the moment, you will find that investors going into a public-private partnership situation will say, “Right, do we really want to incur those sorts of fees?” The answer quite often is, “No, we do not want to take that risk,” so people will sit it out.

Q249 Chair: That probably leads on to the final question, although you have probably answered the first part of it. If you had two measures that the Government could take to ensure better and quicker—and more—regeneration schemes, what would they be?
Ken Dytor: I think you would actually change the culture of public-private partnership and ensure that people work together to get as much money into the system by whatever means possible. We have heard the situation around the problems of European funding. We need to fast track TIFs. We need to get greater confidence in the market for bringing in external investors. Sorry, that is one and a half.

Dennis Seal: I would go back to an earlier point: stimulate innovation, certainly in funding and the delivery. Also, look very carefully at how to speed up the procurement process, whether that is through continued frameworks such as the HCA, or local authority frameworks.

Chris Brown: My two. We have quite a lot of regulation around public asset sales—general disposal consent and the OGC guidance. I would align those with the European regulation, which is the Land Sale Directive, and also overlay that with some quality procurement guidance about how you get good standards when you are selling land for regeneration. That would be one. The other one, which is perhaps slightly off the mainstream, is that a lot of public assets are owned by utility companies and organisations such as Network Rail and British Waterways. I would give those organisations a regeneration objective because a lot of their land is in regeneration areas. They could be very effective and they have massive cash flows as well.

Chair: Thank you very much indeed for your evidence today.

Examination of Witnesses

Witnesses: John Tizard, Trustee, National Association for Voluntary and Community Action, Peter Grant, Consultant, National Association for Voluntary and Community Action, and Toby Blume, Chief Executive, Urban Forum, gave evidence.

Q250 Chair: Everyone, welcome to our further session in the inquiry into regeneration. For the sake of our records, would you introduce yourselves—say who you are and the organisation you represent?
Toby Blume: I’m Toby Blume. I run an organisation called Urban Forum.
John Tizard: I’m John Tizard, a trustee of NAVCA.
Peter Grant: My name is Peter Grant. I’m a consultant advising NAVCA and I am here in support of John Tizard.

Q251 Chair: You are all welcome, and thank you for the written evidence given to us so far. Dealing with the Government’s paper Regeneration to enable
growth, how far do you welcome the community-led approach to regeneration? Do you think the Government have it right?

John Tizard: We certainly welcome the principle of a community-led approach. It remains to be seen whether or not the words will translate into effective practice. There is a great emphasis in the document— I think we heard some of it in the previous session— about the significant roles of the private sector, and clearly that is very important. Private investment is absolutely critical, but we feel that it is as important to ensure that the community is fully engaged and has the opportunity to own the regeneration of its own area. There needs to be a proper system to allow that to happen, but there also needs to be a culture that recognises that this is not just about physical regeneration; regeneration has to be about building communities and community capacity. For us— colleagues will obviously have their own take on it— the words are fine, but it is how that will be achieved, if the emphasis is very much on a business-led approach rather than a community approach.

Toby Blume: We would be very supportive of something that is community-led. We think that local people should determine priorities and lead regeneration efforts. I do not actually know what the Government’s approach is. I think it is not particularly clear how they are going to marry up “community-led”, as a phrase, with regeneration, given that so many things have changed from how we have tended to approach regeneration for the last 15 or 20 years. I do not see a huge amount of clarity, and there are too many questions to be able to regard it as a coherent strategy at present.

Q252 Heidi Alexander: John, I think you said the words are fine. “Community-led regeneration” appears in document’s title, but then much of it is really a compilation of different things that you could cut and paste from other Departments’ websites. It talks about High Speed 2 and Crossrail. Do you really think that there is enough in that document that reassures you that this Government are committed to community-led regeneration?

John Tizard: What I was attempting to say— let me clarify— was that the words are fine but we need to understand what they will translate into in practice. We would subscribe to that commitment to community-led regeneration in the title but, as Toby has said, much of the content does not give us the confidence that that is going to be seen through. The emphasis is on infrastructure-led regeneration and the role of the private sector could, unless there are counter-measures included, exclude communities, and this could then be very much about regeneration being done unto communities, rather than community-based and led.

Q253 Heidi Alexander: May I ask all three witnesses about the lessons of the past in terms of involving the community and voluntary sector, and what you think are the most important lessons for getting really good, effective community involvement in regeneration schemes and plans?

Toby Blume: At the moment, there is a distinct lack of remembering of what has gone before. One of the most valuable lessons was when grassroots groups— front-line community organisations; very informal— were given small amounts to follow through on the things they wanted to happen in their communities. There was all sorts of added value from that. It was successful through, for example, most recently, the Neighbourhood Renewal Programme, Community Empowerment and Community Chest. It gave people control of a resource that they could allocate in ways they felt were appropriate. It died a death when the ring fences were removed— it was absorbed into the safer and stronger communities fund and, ultimately, into a single pot. Then it required those groups to engage with the local authority and to, at their behest, be afforded some small resource. The difference was that, before, they were able to go to the LSP or to engage in a relationship with the local authority with some of their own resource. They were not entirely dependent on the good will of the local authority. Sometimes we saw that things that the local authority was not interested in funding actually brought the local authority to the table. It resulted in outcomes that were not foreseen by the authority or other local partners, but ultimately they invested in, because the community was prepared to take a risk to innovate and find ways of pursuing their own interest. That is a critical learning point from the past.

Q254 Heidi Alexander: So Community Chest is important. Are there any other key lessons?

Peter Grant: Supporting what Toby has said, what the voluntary and community sector needs is very similar to the private sector. It needs long-term commitment, certainty and de-risking of the situation. Unfortunately, what we have seen over the past year is the disappearance of some of the support through the disbanding of regeneration agencies, which have been supporting the voluntary and community sector, among others. We have mentioned, in our written memorandum, the repackaging of schemes that we have seen under a different heading.6 There is a risk that the opportunities now being provided, say under the Localism Bill, for voluntary sector involvement in regeneration— within the right to buy or the right to challenge— will not be fully carried through because of the support that is now missing to enable them to take up those rights.

Q255 Heidi Alexander: You are saying that there is an issue of capacity perhaps within the voluntary and community sector, and support for capacity building in order to access the opportunities to engage in the regeneration process that may exist.

Peter Grant: It is long term as well. Long-term support needs to be put in place.

John Tizard: The only thing I would add to what my colleagues have said is the lesson that the voluntary and community sector and organisations need to be involved at the very beginning, not part way through or even at the conclusion of drawing up plans— when they feel that they have not been able to make their
contribution, which is a loss, and results in them actually not feeling ownership of the projects.

Q256 Simon Danczuk: Just a quick supplementary question: you are both large-membership organisations, with 850 and 160,000. Is membership going up or down, and what are the reasons for that? If it is going down, are they stopping joining because they have not got the cash to join, or are the organisations disappearing?

Toby Blume: A lot of our members disappeared with the loss of dedicated Neighbourhood Renewal funding about five years ago. The reason our membership has grown significantly—by about 400% over the past two years—is that we decided to remove the fees for not-for-profit organisations, charities and community groups because we felt it was irresponsible to deprive them of information and support, that was critical at the time, for membership for the sake of £10, £20 or £40. Clearly there is a demand. It requires us to redesign our business model, but that is something we are prepared to do if it means that we can protect just a few of them from going to the wall.

Q257 George Hollingbery: We have not got you very long this afternoon, so all I am going to ask is that you do not give a very long reply. Very quickly, has there ever been a successful regeneration scheme that was not community-led and was not otherwise funded from public sector funding. I am not speaking with any particular insight, but that is a challenge, even to the most successful regeneration schemes now.

Q258 Mark Pawsey: I am sure that the bodies you represent recognise that they are in a wholly different funding environment from the one that existed some years ago. As far as they are concerned, do they see that the limited funds available are going to the areas of greatest need? Do they see the decisions being made as being fair, such as in some of the communities that might have been hoping that regeneration funds would come their way? Are they accepting of the new landscape?

Q259 Mark Pawsey: I was talking in the context of the amount of money available for regeneration. I am not talking about the broader economic objective, but if you say that there is a pot, is it being allocated fairly among those who are calling for it?

Toby Blume: A lot of our members disappeared with the loss of dedicated Neighbourhood Renewal funding about five years ago. As far as they are concerned, do they see the limited funds available are going to the areas of greatest need? Do they see the decisions being made as being fair, such as in some of the communities that might have been hoping that regeneration funds would come their way? Are they accepting of the new landscape?

Q260 Mark Pawsey: There are limited funds. I am trying to get an understanding of whether the communities you represent say, “Given there is not much there, we’re happy with it,” or, “We don’t think it is being fairly allocated.”
Toby Blume: Do you mean in the division between areas?
Mark Pawsey: Yes.
Toby Blume: I do not think that the groups that I work with are particularly aware of the resources that are going into other areas, because they are working at quite a local level, so they are not looking at the south-east and saying, “Do they have more money than us?” They are just seeing access to their own resources diminishing.
Peter Grant: There is always a question as to whether you allocate resources to the areas of greatest need or greatest opportunity. I am sure you have heard other witnesses say that to you. In terms of support for the voluntary and community sector, the Neighbourhood Renewal Fund and SRB5 and 6 have certainly directed resources towards the areas of greatest need. It is more important to ask whether, having done that, they are being directed towards initiatives that offer the greatest efficiency and effectiveness. In our written evidence, we have put down a number of ingredients that we think are important for the effective and efficient engagement of the community in the process of regeneration, with the leveraging of social value being one. I will not repeat everything that is in the written evidence. There is building on social capital as well, and also making use of local physical assets for community regeneration. There are a number of factors to consider.

Q261 Bob Blackman: Building on that, Peter, you talked about SRB5 and 6. Should the Government be saying that regeneration funds should be targeted at areas of the greatest potential rather than the greatest need?
Peter Grant: No, I think it is a balance—it has to be. There are examples of large amounts of resources being devoted to areas of very great need indeed, which arguably have not made an enormous change to those areas, in terms of the socio-economic indicators, over a period of 30 years. There are others where a matter of a few years has achieved a great deal, which perhaps indicates the inherent opportunity that was and the capacity that perhaps already existed in that community to take advantage of the resources when they are made available to them. I think it is a difficult question to answer. I do fudge perhaps by saying that it is a balance between the two—there needs to be the potential within the community, as well as the need to use the resources effectively.

Q262 Bob Blackman: That builds to the next issue that I want to touch on. We know that public finance is going to be very tight for a long time. The private sector is at great risk of not being invested. Clearly there are going to be difficulties in terms of where you concentrate regeneration resources. The Government have set out a strategic paper to say that they want community-led regeneration. What do they have to do in order to actually make that work? Have they got their plans right?
Toby Blume: As I said before, I am not entirely clear what the plans are. Even for things we know something about, such as neighbourhood plans, we do not yet know precisely how they are going to work on the ground—or certainly that is my impression.

Q263 Bob Blackman: There might almost be a blank page here. Given that you have tight resources, what do the Government have to do in order to get community-led regeneration going?
Toby Blume: The first thing they have to do is to reform the economic architecture, because I think that is a major impediment to communities and localities actually exerting control over their area. We are in favour of things like local income tax, devolving tax-raising powers to local areas and using different mechanisms—regional stock exchanges—to reconnect capital with place. It is very difficult to see how local areas can create jobs and stimulate economic development without those levers. I would extend that through to localising our banking system. If we were serious about giving people a chance of pursuing some of these ambitions, we would introduce legislation along the lines of a community reinvestment Act as a mechanism to encourage financial institutions to invest in community finance intermediaries—credit unions and CDFIs—as a way of better understanding what the economic needs of local voluntary organisations would be.

Q264 Bob Blackman: In many ways that is the system that pervades in the USA, for example, where they have considerable diversity.
Toby Blume: In terms of the localisation of financial services, that is right. There are many differences, and we would need to develop something very different to reflect the UK banking sector and local circumstances. In the US, they have been able to do it, first, on the back of redlining, where there was clear geographical discrimination, which was race-related. Also, they were able to use permissions to cross state boundaries, for example, as the lever to create the incentives for banks to invest. I am certain that we could find ways of doing that which were sensitive to the UK financial services sector.

Q265 Bob Blackman: John, do you have a view? I know that was quite a radical solution.
John Tizard: I am not going to have a debate with Toby, but I think there are some more immediate actions that could be undertaken. Some of his ideas, I suspect, will take some time. We have seen the Government’s inability to move the banking system, so it is probably a fairly long-term to rely too much on the banks. Just picking up on the role of the banks, there is some leverage that the Government could have to require banks to consider investment in community projects and community groups by building on the Merlin arrangements to promote more social investment. There is scope there. The most important thing is to recognise the importance of community to be more than words, and to make a requirement on those who are going to use the limited—as you put it, Mr Blackman—funds that are going to be available from the public purse to demonstrate that they have full engagement with the community—on behalf of the
community, with the community and voluntary sector—in order to access those funds. There is an opportunity to link regeneration with the localism agenda, in terms of community development, with local government supporting community development and a community focus.

My final point would be, going back to what was said about opportunity, that we need to seize the opportunity to use some of those funds to make investment in building capacity of communities and community organisation so that those that have the opportunity can move to a position to lead regeneration. The real risk is that if we chase only winners, we exacerbate the problems of those who are already the real losers.

Peter Grant: Just to carry on from that and perhaps to finish off, in our written evidence we emphasised the financial efficiency of investments in the voluntary sector, and quoted from research that we have had done about multipliers of 11 to one on investment. It is vital that that is protected in future so that the voluntary sector does not suffer disproportionately in the implementation of public expenditure cuts, particularly at local authority level, because those efficiencies are available. That is something that underpins the Big Society, and it also should be put into practice in ensuring that the voluntary sector receives the level of support it needs to continue and keep going.

Q266 Bob Blackman: What protection would you like to see for the voluntary sector?

Peter Grant: In our response to another consultation, this time on best value, we have raised the issue that the response to the public expenditure cuts among local authorities does vary from one local authority to another. There needs to be a certain amount of oversight of that, which is something that the Government have promised, but they need to find a way of making sure that that actually happens.

Q267 Bob Blackman: The Government have a localist agenda and say it is up to local authorities what they do. If the Secretary of State steps in and says, “Thou shalt not do this,” or, “Thou shalt not do that,” that countermands the localist agenda, doesn’t it?

Peter Grant: In certain cases, that is necessary, but that is just a personal view.

Toby Blume: I do not think that that undermines localism. We elect our national Governments with a mandate to do certain things. We are not saying that everything is devolved and that therefore central Government become simply bureaucrats. They are responsible for establishing the framework within which localism operates. It is perfectly reasonable to say that we have these expectations of relationships between local authorities and the voluntary and community sector, and that includes proportionality in the way in which you manage the process of spending cuts.

Chair: Thank you very much indeed for coming to give us evidence.

**Examination of Witnesses**

Witnesses: Ros Groves, on behalf of a group of Merseyside residents, and Barbara Harbinson, Chief Executive, Halifax Opportunities Trust gave evidence.

Q268 Chair: Welcome to our further session on the inquiry into regeneration. To begin with, for the record, could you say who you are and the organisation you represent?

Barbara Harbinson: I am Barbara Harbinson. I’m a board member of Locality, and my day job is running a regeneration organisation in Halifax, West Yorkshire.

Ros Groves: Hi, I’m Ros Groves. I am currently the chair of the Anfield and Breckfield Housing and Physical Regeneration Group. I also live in a Pathfinder area. I do it all voluntarily, I’m afraid.

Q269 Chair: Thank you both very much for coming. The Government have issued their community-led approach to regeneration. Tell me what you think about it. Have you got concerns about it? Do you think it is generally going down the right route?

Ros Groves: I do not feel like you have actually been totally honest with us. I do not feel like you have given us guidelines to be able to adhere to. You have just come out with an announcement and, every time we ask the question, “What is Big Society,” or, “What is this,” or, “What is that,” no one seems to have a defined parameter of what that answer is. For me, to follow a guideline that no one has actually got an answer to is quite hard, really.

Barbara Harbinson: For me, I think the words sound very good. It is a bit like a patchwork quilt for me of all sorts of things that sound very worthy. Locality members are all based in localities; they would certainly welcome any approach to local regeneration. I am just struggling with how it is going to play out, because I cannot see the things in there that I would expect to see—the things that would help us to interpret how we are going to use this change in policy.

Q270 Chair: Just to explain, we are not the Government. We are here to scrutinise the Government as well, actually, so we are probably asking some of the same questions that you are asking. Have you been trying to get from somebody a feeling for what the change actually means? Who are the sorts of people you have been asking who have not been able to tell you very much?
Ros Groves: What this is, as my learned friend here has just said, is coming to terms with how we are meant to interpret that to everyday people on the ground. As I say, everything that we do is voluntary-led. For us, we will go to councillors—I must admit that I have batted on Steve’s door a couple of times—to have this sort of conversation, and I just feel like sometimes you are missing the big picture of what community-led stuff actually is. You ask us to do things, but there is nothing there to be able to implement it with. You cannot just say to people, “Well, do this 100% for nothing and just continue doing it. We will not teach you how to do anything, because then you cannot ask the right questions in the right places,” and so on and so forth. For me, it is more about how you want us to interpret that Bill.

Q271 Bob Blackman: Ros, you are in a position of chairing a particular voluntary body. What is your understanding of the status of the regeneration scheme in your area? What have you been told officially?

Ros Groves: Officially, we have been told that this is the Localism Bill, and it is for us to get involved and to try to take charge of things that are affecting our area. How can I describe it for us? We have been doing it voluntarily for ever. Anyone who is involved with voluntary sector work has done it for a lifetime. If you are involved in it from day one, you are involved in it for ever. For me, we have already been doing what you are trying to introduce. It is just new terminology.

Q272 Bob Blackman: I am just thinking that I have been to your area recently and seen rows and rows of boarded-up houses.

Chair: Tell them how you got there.

Bob Blackman: I am a football fan. I was at Anfield, looking desperately for somewhere to park. I have seen it first hand. What I am interested in is that, clearly, there is a lot of money required. There is clearly the potential for a great scheme, but I am trying to get to the bottom of the official position. Is there money there? Has it been switched off? Is it going to sit there untouched?

Ros Groves: You say you have been up to Anfield. I live on the side of Anfield football ground. For us, we were broken down into seven phases. Over the road is where the famous V streets are, and where we had the highest rate of deprived families in Europe—and so on and so forth—and my side of the road is the side where LFC sits. In phases 6 and 7, currently, we are being informed that because of the HMRI funding being pulled, we will no longer be coming down, which leaves me in a state of disarray, I have to be honest, because that is my local residents area. Besides me being sitting on where I sit as Housing and Physical Regeneration, it was for me to tell my residents—I only found out last Thursday—that HMRI funding has been pulled. We all knew it was being pulled—don’t get me wrong; I am not that naïve. For me, it is devastating. I have to tell my community that lives directly around me—my neighbours and my friends—that I have been selling HM R 2 from Government. I am an owner-occupier. It affects me greatly. Just as a tester, let’s say that I asked a company to come in and give me a price for my house, since the funding has gone. I own a four-bedroom terrace house. I got offered £50,000 and the prospectors are already lurking at the doors. What has happened is I have owned my house for 33 years. I have had three damp courses on my property to date. I know I need a new one. I know I need a new roof. But we have not invested totally in our properties because we were under the illusion we were in a 15-year programme and we were waiting to be demolished. Anyone in their right mind is not going to spend large amounts of money on a property that is then going to be torn down. It just does not make economic sense, I am afraid.

Q273 Bob Blackman: Sorry to interrupt, but your understanding of the current position is. “That’s it; no more funds”. The situation that exists around your neighbourhood is just going to sit there in perpetuity until someone comes up with an alternative scheme. Is that your understanding?

Ros Groves: Yes.

Q274 Heidi Alexander: Can you just tell me how many homes are affected?

Ros Groves: I was the largest Pathfinder in the country. It was 1,700 homes initially. We now have only 600 to acquire.

Q275 Heidi Alexander: There are 600 properties left that, and in the current situation, it does not like there is a—

Ros Groves: With the funding that we had left from HM R on the other side of the road, because we live in two wards—it crosses two boundaries. What happened was we got the funding apart from acquiring four properties in phases 3 to 5. I am sorry I talk about phases, but it is the way we deem it. In phases 3 to 5, we got the funding in play. We only have to buy up four properties and demolish phase 4, which I think is something like 100 properties, and then the rest was for 6 and 7.

Q276 Heidi Alexander: Can I just ask both of you—

I think, Ros, you have touched already on the huge amount of involvement that the community and local people have already been doing—why you think that involvement from the community is so important, in your words? Why does it make such a difference?

Barbara Harbinson: I will speak from my own case of running a development trust in West Yorkshire. I am typical of many of the Locality members. We are a membership-based organisation. We have 15 board members. They come with their ideas. With the way we operate and the things we invest in as a development trust—we turn over nearly £3 million in regeneration projects—the choices are all theirs. It is not directed by someone else. We are involved in getting people into employment, in creating businesses, and in running business centres. We operate as a social enterprise, but the important thing for us is that that comes from the membership. It is probably not quite the same agenda as would come from the developers who were giving evidence before.
It is very different. It is about individual families and their needs. It does not bring big schemes to the table, but there is room for both approaches. Ignoring or not resourcing the local approach, and not involving local people, results in disaster, as far as I can see.

Ros Groves: I agree with you there.

Q277 Heidi Alexander: Do you see that what the Government are doing in terms of their Regeneration to enable growth document will mean more opportunities for communities to be involved? Do you get the sense that that community-led regeneration is at the heart of what the Government are trying to do?

Barbara Harbinson: I think in part it could be. Locality was awarded the contract to run the community organisers programme, so I know probably more than most about it, because it is at its early phases. That does have the potential to get people really involved in localism. Where I think that there would be a difficulty at local level is that local authorities and other organisations are undergoing their own pain, with the funding cuts and resources that previously had been used to help get local people engaged being either competed for or withdrawn. Unless something else is put in place, I think that the mechanisms to deliver this paper are just not there, as far as I can see it. Aspirations are there, but not the practical mechanisms.

Q278 Heidi Alexander: Ros, you were shaking your head as well when I asked that question about the community being at the heart of what the Government are trying to do.

Ros Groves: As I say, more than 14 residents groups sit around our table and, for us—it is touching a bit on the fact that the mechanisms are not there to get the information out there anymore—it is a bit different. We started back in the 1990s, and we had a devastating housing issue then. People were leaving where I live hand over fist. Like other areas such as Klondyke and what have you, all Pathfinder areas were chosen for a reason. They were chosen because they had poor housing stock, because they had employment issues and so on and so forth. I have a problem because if we are trying to regenerate somewhere, we have to have a foreseeable plan. We are currently undergoing in Liverpool a strategic framework, and I am actually a part of that. I sit on that panel alongside people at Liverpool Vision. I am trying to create, or to be a part of, something big and new. To get investment coming in, we need the diversity of housing stock.

To have that, we have to have those links on the ground. It has to be community-led, because from the community up is where it will start, and where it will pass and flourish. If you just come along and say, “You are having this, this and this,” that is it—you have a brick wall going up before you have started. If you say to a community member or a resident, “Come and sit here and tell me what you actually think. Do you think we are going down the right avenue or aren’t we?” you will probably get more backing for that. You may not take any notice of that in the long term but, at the end of the day, the community will feel that it is a part of it. The community knows what is best on the ground for the neighbourhood that it lives in.

Q279 Heidi Alexander: That probably sums it up totally. My last question: just in your experience of working with the private sector, developers, the public sector, local authorities and different public sector bodies, what has worked well in engaging communities, really connecting with communities on regeneration, and what do you think are the examples of best practice in the approaches that are taken?

Barbara Harbinson: What have really worked are the schemes where you integrate people and place. What have not worked well are big developments. If you go back to regeneration history and the theory of trickle-down regeneration, which for me has never worked, some of what I read in the paper looks very much like that approach. A combination of working with people who are in disadvantaged areas and matching some of the asset development to those people’s needs is what has worked best. Then you try to make sure that you build in some economic sustainability. I have a different view when more money was available, as an organisation were very lucky in getting regeneration assets cash-invested. We have some assets on a long-term lease, which we use to sustain ourselves. In these times when waters have been choppy, a bit like the Eldonian model that was referred to earlier, we are able to at least stop ourselves drowning and continue activities. I think people and place together, and then sustainability should be built into the model.

Q280 George Hollingbery: Ros, when I saw you downstairs I said I would make your trip worthwhile by giving you a tough question. Can local people ever get in the way of good redevelopment and regeneration?

Ros Groves: You can say that some people object to CP0s and so on. I have been very lucky: we were 100% behind the scheme in Anfield and Breckfield. I know there are other areas across the country—Hull and so on—which have had issues regarding Pathfinders, but I think, if you do not involve the community, you will never get anything through. This is where we have sometimes gone wrong in the past. As I said before, you get people behind closed doors making decisions, and then they will come along and say, “You are having xyz.” People have been up in arms and said, “No, we’re not.”

Q281 George Hollingbery: Is there ever a time when it is right to do things to people rather than ask them? Is it ever right?

Ros Groves: I would say no, if I was being 100% honest, all the time.

Barbara Harbinson: There is a four-year cycle of payback on doing things to people that they do not want, and it is called a local election.

Q282 Mark Pawsey: Is that enough?

Barbara Harbinson: It should maybe be two years. I think doing things to people in local communities makes local politicians’ lives very—we have a big scheme at the moment that is quite contentious, and
the forces are trying to push it through with a big developer. The people are having their voice, I cannot tell you where it is going to end or how it is going to end, but it is certainly making the life of local politicians very uncomfortable.

Q283 Simon Danczuk: Ros, you spoke earlier with Bob about Housing Market Renewal programme money being cut dead by the Government, and its impact. In fairness to the Government, they have announced, £30 million across some HMR programme areas—transitional funding—not Rochdale, unfortunately, which I represent. You are aware of that bit of money that is available in Liverpool, because you guys are getting it in your Pathfinder area? You are getting some of that cash in Liverpool, are you not?

Ros Groves: Yes, Grant Shapps says we can apply.

Q284 Simon Danczuk: Is that right—put a bid in? You are hopeful of that, I suppose, but it is how you deal with the programme. My question was around blight notices and whether there has been any discussion of that locally—the idea where residents who were adversely affected can lobby or approach the local authority, which would have to pay for the adverse impact that that has been had on their community, and people can do that. Has there been any talk of that at all?

Ros Groves: Of late there has, yes, because of what we are left to live in.

Q285 Simon Danczuk: So it is compensation.

Ros Groves: To be honest, it is just getting people to notice what we are being left to live in. I have 88 owner-occupiers in phases 6 and 7 who are now totally and utterly stranded. I know there are 50 people in the Klondyke; there are people in Tranmere; there are people in Birkenhead. They are all in the same position. We cannot waste £60 million of public sector investment. We cannot—it just seems criminal. We have had £207 million-worth of private investment. That kind of money to us is a lot, and it seems like we are just going to go, “Okay, bye bye. It does not matter. We can just waste that; we can write it off. It is irrelevant,” but it is not. We need to think what my people are living in and the conditions they are living in. It is a famous line: we have kids in schools; you ask them to draw a house and they will draw you a house with boarded-up windows, not fancy little curtains or anything else. To me, that is not a future that we can build on, which is criminal. We have a right to have a decent life and place where we live, and that is the one thing that we ask Government. Can we have it? Can we let any Pathfinder area be left with what some people are being left to live in?

Q286 Simon Danczuk: Thanks for that. Briefly, Barbara, how is the financial climate impacting on your social enterprise?

Barbara Harbinson: We were very fortunate, in that we have some assets we can use and regenerate that cash from those assets. Property-wise, we run a business innovation centre and an enterprise centre—two separate places. Any surplus they produce we recycle into regeneration schemes. We have broken even this year and made a couple of thousand profit, which seems respectable given the current climate. We are very lucky. We are from an area where there was not a lot of grant funding, so we have been trained in being sustainable. Many other development trusts or locality members, including bassac, are in areas where they have been in receipt of public sector funding in one form or another, and the situation is quite dire for them.

David Heyes: This is not a question, Chair. I do not want to steal your thunder. I have just sat and listened; I have not had any questions this afternoon. Through the whole of the evidence sessions we have had on this regeneration inquiry, this has been some of the best and most powerful evidence we have had. I want to just say, I suspect on behalf of colleagues, thanks for the evidence.

Chair: That goes for all of us. Thank you very much. We do understand, particularly in the situation in Anfield, what you are going through. We went to look at some houses up in Rochdale the other day, which has similar problems and difficulties. In the end, as you say, you have to pass the message on to your friends and neighbours, which is not the nicest of messages to give them, is it? Thank you very much for coming this afternoon, both of you, and telling us about the issues that are affecting you now. It has been very important for us to hear them from you. Thank you very much.
Monday 27 June 2011

Members present:
Mr Clive Betts (Chair)
Heidi Alexander
Bob Blackman
Simon Danczuk
David Heyes
George Hollingbery
James Morris
Mark Pawsey

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Examination of Witness

Witness: Lord Heseltine, Chair, Independent Advisory Panel for the Regional Growth Fund, gave evidence.

Q287 Chair: Lord Heseltine, you are very welcome to this fifth evidence session into our inquiry into regeneration. Thank you very much for coming this afternoon. We have asked you for two reasons. Firstly, you are Chair of the Regional Growth Fund’s Independent Advisory Panel, but also, looking a little further back, you have probably as long a track record of involvement in regeneration as anyone around. We would very much like to draw on that historical evidence this afternoon, and hear from you what you think initially about the initiatives you took when you were in Government in the past like the UDCs and City Challenge, and what you think the key lessons are that we should learn from those initiatives, what worked and what did not work.

Lord Heseltine: It is generous that you talk about the length of my experience. It is actually 41 years since I went to the Department of the Environment and became involved for two years in planning and urban policy. I have also done two periods as Secretary of State, and now I am back, as you say, as Chairman of the Regional Growth Fund advisory body, and doing a project for David Cameron on Merseyside. So I make no other claim; I have stayed the course.

In terms of lessons, I think basically regeneration is necessary where an area, for whatever reason, is uncompetitive. It may be uncompetitive because the price of development is higher by nature of the land itself—you think of toxicity or old industrial activity that has never been cleared up, which makes the cost of development to the private sector uncompetitive. It may be uncompetitive because there are very high levels of unskilled people who are not educated or qualified for the jobs that the modern world has on offer. There may be other reasons why areas are not competitive. Regeneration is about trying to help them become competitive. The simplest answer is to clear the toxicity and to green the site, for example, and that makes the site competitive with the suburban green fields.

The second lesson that I would draw, the one that in many ways was the most profound, was the decision in 1979 to make the use of public money conditional on private sector partnership. I worked under Peter Walker when he introduced the derelict land grant, which was used, if you remember, to clear the mine and extractive industries’ tips in the countryside. It was a very desirable environmental policy and was very successful. I inherited that policy, by which time a lot of the original purpose of the grant had been fulfilled, so I brought the grant into the cities. That was in 1979, and it gave me the funds to add to Peter Shore’s urban grant, and we made it a condition that the local authorities applying for the grant had to show that they had private sector partners who were going to make use of the land once it was reclaimed. That had two effects. The first was that instead of just a pound of public money spent, you got a pound of public money, and consequently had additional private money committed in the process, and usually more than the public money originally was. But I think probably the most profound change was the human relationships. In 1979, the public and private sectors were very distant. They just did not know each other, did not work together, and many of them had great reservations about each other. Within a year or two, they were friends because they had come together to share the experience of first clearing, then developing, the sites. It created a human relationship, which is now standard orthodoxy in urban policy, which it was not then.

Everything I have said up to now has broadly related to clearing land, making land competitive. There are other agencies one can mention. There was the Urban Development Corporation, which did it on a bigger scale. There was the enterprise zone, which was a process of targeting incentives to people to move in to these rundown areas, and there were other schemes we introduced. But 10 years later we took a bigger step, and that was City Challenge, which was not about just doing derelict land, usually where there were no people; it was about trying to revitalise communities that, for whatever reason, were uncompetitive in the modern world. We used exactly the same principles of public money, incentives, and insistence on partnership with the private sector, creating a community approach to this process. I have never done research—although I have just begun to do some, I have to say—into the processes of City Challenge, but the initial findings are that people regard it as a very successful initiative.

Q288 Chair: Following on from that, the Committee visited Manchester the other day, and we particularly looked at Hulme, which is perhaps one of the best examples of City Challenge, and how it has worked to revitalise a whole community. That is not just me saying that: talking to local residents, they were telling us that their whole lives had been changed. But given there are still areas of the country in similar need, if you were Secretary of State now, would you want to
see similar initiatives to City Challenge brought to the fore and used to assist such areas?

Lord Heseltine: I would move on. I am wholly persuaded that we have got to move to a directly elected chief executive and mayoral system for the cities. This is a big subject. I am very happy to talk about it, but that is the void. There is not this community approach to the destiny of our great cities, and it is a very fundamental structural weakness in the way we govern this country.

Q289 Chair: It worked in Hulme without an elected mayor. Why could similar initiatives not work elsewhere without an elected mayor?

Lord Heseltine: It worked in Hulme, and it worked in the other City Challenge areas where central Government created a scheme, insisted on discrete management outside of the local authorities, and put teams of public and private sector partners working together within the competitive framework of grant mechanism laid down by central Government. We dealt with a discrete area of a particular city, the less privileged areas. That is like successful management outside that of the local authorities, and Government created a scheme, insisted on discrete the other City Challenge areas where central Government to be able to make the sort of approach. The circulars they send about a particular function of Manchester. They send the circulars to Newcastle, Liverpool, Leeds and Bradford. There is an all-seeing, all-knowing, all-thinking functional direction from London.

Q290 Heidi Alexander: Lord Heseltine, I represent Lewisham, and we have a directly elected mayor, and there is no doubt that parts of the area that I represent are still in desperate need of regeneration. The London economy could be booming, but that has not got over the fact that there are communities and local economies that, in your words, would be “uncompetitive”. So would you wish, in the current climate, to see some discrete area-based regeneration initiatives, such as City Challenge, to tackle the problems that do exist in many inner city areas today?

Lord Heseltine: I certainly would use City Challenge if you denied me the opportunity to do what I believe to be right and necessary. You were asking me whether I would go back to 1990 if I could do nothing for the second decade of the 21st century; 1990 was good, City Challenge worked. It helped discrete, under-privileged communities, but there is a much bigger and more urgent agenda that could embrace City Challenge. The easy way to think of City Challenge is to start at the derelict land in the eighties, move to communities of 10,000 to 30,000 in the nineties. Now take the whole authority and use the concepts and the principles applied to a unitary authority. Really all I am saying is: why do we not run this country like every other advanced economy in the world? In other words, delegate power from London to the people in charge.

Q291 George Hollingbery: When we went to Manchester, we saw what I thought was effectively a mayoral system without a mayor. We saw a large number of boroughs that had come together to recognise the fact they had an interest in the city region without the formal mechanism of having a mayor in place. They have a very particular chief executive and a very particular leader of Manchester City Council itself, who I suspect drive things in a different way. Is that a model that could work outside the mayoral system?

Lord Heseltine: In my experience over a very long period of time, I would say you have the best example, in Richard Leese and Howard Bernstein, of a partnership that runs a great city and has persuaded the surrounding boroughs to come within their influence. It is something that they have done by persuasion. There is not a Greater Manchester structure except a voluntary arrangement that they have created.

Q292 George Hollingbery: Is that not potentially more powerful, though, than having a Mayor?

Lord Heseltine: No, because I think there are other ingredients in this process. First of all, Richard Leese is not answerable to the people of Greater Manchester. He and Howard Bernstein, between them, have very limited powers. Secondly, they have the wrong powers in a sense, and this takes me to one of the other big structures, which I have been referring to the wrong structural mechanisms. What would interest me is how you can create the greatest spark of dynamism and pursuit of quality in Manchester when what the leader or the chief executive of Manchester has to worry about is what the Ministry of Transport or the Ministry of Housing, or the Ministry of Education, or the Ministry of the Environment thinks? They are living in compartments, and the career structure of the people they employ is all about those compartments. It is not about Manchester, it is about saying, “Can we have a road here?” Whether it relates to the Manchester ship canal—well that might because it is the same department—but whether it creates a science park for the university, or whether it creates better housing in a particular area, it has got nothing to do with the Ministry of Transport.

There is no one in central Government looking at Manchester and asking what can be done to enable Manchester to excel. There are people in central Government looking at local housing for the second decade of the 21st century; 1990 was good, City Challenge worked. It helped discrete, under-privileged communities, but there is a much bigger and more urgent agenda that could embrace City Challenge. The easy way to think of City Challenge is to start at the derelict land in the eighties, move to communities of 10,000 to 30,000 in the nineties. Now take the whole authority and use the concepts and the principles applied to a unitary authority. Really all I am saying is: why do we not run this country like every other advanced economy in the world? In other words, delegate power from London to the people in charge.

Q293 George Hollingbery: We are wondering whether or not the DCLG has sufficient clout across Westminster to be able to make the sort of approach you are talking about happen. Looking at the Leicester Total Place, which I am sure you are familiar with, I wonder whether a precondition for area-based regeneration is a new approach that pools all government resources, that allows them to refinance these areas in innovative ways, using government cash
flows, that allows the health budget to be part of social
services, to be part of housing. Is that how you would
do proper regeneration, and then you would top it all
with a mayor?

Lord Heseltine: Yes of course, that is what everyone
else does. It is not rocket science. Just look at
America, France, Germany or Japan. Any country that
I know anything about, they have delegated decision
making down to the big economic generating
communities of cities. You were using words that I
would use in answering the question in putting the
question, which is a very efficient way of going about
it. But I believe the answer to your question is no, the
DCLG does not have the clout.

I was lucky, because when I was at the Department of
the Environment it had huge budgets. In those days
you fought your battles with the Chief Secretary over
the budgets, but once you had come to a total figure,
what you did within that was up to the Secretary of
State. I believe that under recent regimes it has
become much more compartmentalised and the
discretion of Cabinet Ministers has been much
reduced. But once I had done my deal, I was in a
position to reallocate my funds, and to the best of my
memory, I did use housing money for much wider
purposes. Not a lot, because the housing budget was
so big that you could take off 5% and you still had
quite a lot of money. I have forgotten the figures now,
but the point is right.

What I believe now—from the lessons I learned in the
1990s and began to try and apply—is this: Set aside
your revenue expenditure, take your capital
expenditure—all the capital budgets of transport,
housing, environment and whatever—put them into a
pot and top-slice what you would normally allocate to
the big cities, so no one is actually winning or losing
at this stage. At that stage, you ask the directly elected
chief executive—combine the mayoral and the chief
executive jobs—to produce a corporate seven-year
plan. That is exactly what we did with City Challenge,
although it might have been five years. “Tell us what
you would do if you produce your plan and you then
bid to Government for the money. You tell us who
you have consulted, what additional gearing you have
achieved, what your objectives you have set and, if
we like your plan, or to the extent that we like your
plan, we will provide you with part of that top-slice
pot.” They would put the ingredients into their
communal plan, whether they needed bigger schools
or more schools or more roads or more housing. They
would work all that out locally, in consultation with
the big players. By the big players you are talking
about the universities, the big industrial complexes,
the police, the educational establishments,
environment and the social services. All these people
would have to contribute to this communal plan.

Then you would put that to Government. The
Manchester plan would be quite different from the
Liverpool plan or the Birmingham plan, but they
would come up from the locality. When we did this
with City Challenge, one of its most electric effects
was to make all those functional departments work
together. What you saw at the Hulme Estate was
precisely a community plan. It was a very remarkable
Labour councillor—I cannot remember her name
now—who actually led the residents in the process. I
think the Hulme Estate is one of the most successful
things I did. When the city was bombed some time
later, we took the whole procedure and applied it to
the rebuilding of the city centre.

Q294 Simon Danczuk: Lord Heseltine, you have had
a very distinguished ministerial career, and many
would say you have been in the forefront of
progressive regeneration. You have signed off many
government White Papers, Green Papers, government
statements and things like that. In terms of the
Government’s Regeneration to Enable Growth
document, which this Committee is looking at in
detail, is it a document that you would have been
proud to put your name to? Would you have been
happy to sign this document off?

Lord Heseltine: I have not read it. Why should I read
it? I am not a member of the Government. Let me
help you. I am a supporter of this Government, and I
am not in the business of creating headlines that can
be seen to criticise.

Q295 Simon Danczuk: But just to follow that up, it
is three pages of content, and then a series of tables
and an Excel spreadsheet of different policies and
things. Previous witnesses have said it lacks analysis
of what has worked and what has not, that there is no
evaluation of what has gone before and that it
risks creating a spiral of decline. Somebody else said it has
potential to exacerbate spatial inequalities. That’s
done of the evidence that we’ve been given.

Lord Heseltine: I know where those came from.

Q296 Simon Danczuk: They came from a variety of
different sources, but I am concerned that it has not
learned the lessons that you learned so well in the
eighties and nineties. Does it not give you some
concern that a Government document of this nature
just does not discuss what has gone before, that you
did, and that other Ministers have done previously?
It does not give you any concern that it does not do that.

Lord Heseltine: There are lots of things that give me
concern, but I have to tell you frankly that documents
I have never read do not come high on the list.

Q297 Bob Blackman: One of the issues in the last
20 years in urban regeneration—and we have seen this
in evidence and I have seen it personally up and
down the country—is that government money has being
pumped into all sorts of different schemes over an
extended period of time. Yet the same areas of great
depression remain areas of great deprivation, even
after large amounts of money have gone into them.
The sort of regime or programme that you were
talking about just now would suggest that we devolve
power to the cities, allow them to get on with it and
encourage the economic motivators to actually
regenerate themselves. Is there not a risk that they
would spend their money encouraging the prosperous
areas of a city to get more prosperous and leave the
areas that are deprived just as they are?

Lord Heseltine: I do not think there is any risk at all
because the communal plan has to be approved by
Government. It is a partnership. It is not, “Here is the...
money. Get on with it." This is saying, "You produce the plans, you produce the ideas, and as long as they are acceptable to the broader strategy of Government, we will back you." It would be wholly irresponsible, and no Government should or would hand over taxpayers' money without questions asked. City Challenge was based on a partnership. There were those who said it was top-down imposition. I wholly reject that. I think it was very much about growing from the grass-roots up. You can always find something to say how terribly it will all work out, but there are checks and balances in all these things. It is a bidding process, a competitive process of setting cities one against the other.

Obviously, they are not all going to lose 100%, but one thing I would like to see is the experiences of City Challenge was that we invited 30 authorities to bid for the 10 successful schemes. There was a lot of moaning about how it was rigged, and fortunately they were all Labour authorities so I could not be accused of favouring my party; that was one thing I could not be accused of. But they were all Labour authorities, 10 won, 20 did not. Of course there were complaints. But the second year, the different quality in the 20 that lost was very encouraging, because they all went off to see how people had won and they all traded their bids up. I have very great belief in competitive challenge funding by central Government.

Q298 Bob Blackman: Surely there would have to be some sort of framework against which people are bidding. You are not bidding blind. You would have to say, "You will have to achieve x, y and z in order to obtain government money."

Lord Heseltine: I think we would not find it difficult to draft the sort of outline that central Government would include in its invitation. For example, if I was drafting such a document today, high on my list would come the sink schools. "We want to know specifically in your plan what programme you intend to adopt to deal with Blacksmith High, which has failed on the following tests in the last 20 years, and on any likely indication is going on failing. We want you specifically to explain Blacksmith High's future."

Q299 Bob Blackman: Equally, some of the City Challenge schemes were very different and very diverse. They were not all the same, which was the other attraction to them. So there was a framework, but it was not exclusive: "You must bid in this way."

Lord Heseltine: No, there has to be a framework, as you say. Being silly about it, if someone had put in a City Challenge bid saying they had landed a fantastic inward investment scheme that would take all the money, and it would be based in the middle of the City Challenge area, I do not think we would have given them the money. We would have told them this was about urban renewal of deprived communities, and bringing in high-tech and high specification jobs would be very good indeed. I think they would have found some other way of dealing with that, but it would not have won. So you have got to define what you are bidding for.

I was not a personal friend of Dick Knowles, but I liked him and got on with him, and I remember Birmingham lost in the City Challenge bid first round. I asked about education and what the head teachers thought about the bid. He said that they had not talked to them yet, and would explain what was going to happen when the bid was won. That was the moment when he lost, because he had not talked to the head teachers. If you do not get the head teachers enthused, you are not going to regenerate communities. They are a fundamental part of the budget. We did have views in central Government about what was necessary. As I said, they were all Labour leaders. One Labour leader was doing his presentation to me for this area, and he was talking all about housing and it struck me that it was all public sector housing. One of the things you have to do with regenerating communities is break the monopoly of public sector housing. You have to have mixed tenure. So I asked this question, and he realised at once that I had spotted that his theme was all public sector housing. The dexterity with which he changed the presentation on the hoof or in order to give me what I needed, which was private sector mixed tenure, was very impressive. He won.

Q300 Simon Danczuk: Lord Heseltine, you are obviously Chairman of the Regional Growth Fund Independent Advisory Panel. This is setting out their agenda for regeneration. One of the key policies within it is the Regional Growth Fund. It is one of the few that has a lot of money attached to it. Why would you not read the document, as the chair of that panel, to be aware of how it fits in with government priorities? Or is it the case that the Regional Growth Fund is not about regeneration, but more about economic development?

Lord Heseltine: It is not about regeneration. The great luxury of not being in the Government is that I can say, "I have not read the document", and there is no national newspaper that will run a headline tomorrow. It is a great luxury that one day I hope you will enjoy. The fact is the Regional Growth Fund is not about regeneration. We have never been told to go and regenerate any community or anything like that. What we have been told is very clear and simple: there are certain cuts. The cuts are going to affect different parts of the country in different ways. They are going to affect those areas where public expenditure is relatively high more than where it is not, and therefore the Regional Growth Fund is designed to create private sector jobs in areas adversely affected by the cuts. That is it.

Q301 Simon Danczuk: Just on that then, Grant Shapps, the Housing Minister—housing and transport were put into the Regional Growth Fund. Did they come late? Did they come into the fund process late, or at the inception of the development of the Regional Growth Fund? Or was it always intended that housing and transport would be within the fund?

Lord Heseltine: There is a tension here. As far as I am concerned, no one ever told me that the money had all come from various government functional budgets. In fact it did. But that was never put to me as Chairman of the advisory body. I have to tell you, and it is no secret: all the Ministers have talked to me,
The Regional Growth Fund, as best Lord Heseltine: to particular areas? period of time to allow for long-term planning in these Growth Fund should be committed for an extensive Do you think the Regional were given a very clear remit. deprived areas in London. That gets harder, but we were given a very clear remit.

Q302 Bob Blackman: Do you think the Regional Growth Fund should be committed for an extensive period of time to allow for long-term planning in these particular areas? Lord Heseltine: The Regional Growth Fund, as best as I can see—and round 2 has not closed yet but it is closing this week, so I think I am not sticking my neck out too far—I think we are going to be seriously overwhelmed with bids. My committee will make its best advice to Government as to how to spend the £950 million that we have. We have three years in which to spend it; those are the time constraints. As I understand it, that is because the Government believe that the cuts are having their effect in the short term. This is a fund to deal with the consequence of the cuts, and therefore they want the money to flow as quickly as is possible. We certainly have had that in our minds as we have been looking at schemes. So the schemes that seem to go on a bit are downgraded as opposed to those that are going to get the money out quicker. This is a competitive process. We have not got infinite finance or resource, we have a fixed figure and we have to get the best value we can. I am giving you a rather lengthy answer because if you were to say to me, “Now the three years is over, do you think that you should use this technique for regeneration after the first or second round?” it probably would not be what I would do. But that is no criticism because I would be looking at a regenerative process. On the other hand, it would be perfectly reasonable to ask me, just taking the fund, whether it is working. Yes, it is working. If you had an extension of the fund, would it deliver the same job-creating activity? Yes, it would. So I think we are talking about two different things. That is why I am giving you a rather confused answer.

Q303 Bob Blackman: We do not know the bidding process yet and how many bids you are going to receive or what the quality will be. But as you said, there will be people disappointed, and there are potentially other areas that could gain as a result of additional government money. Do you think there are other schemes that should be added on to the Regional Growth Fund, or alternatives that the Government should consider in addition? Lord Heseltine: The first issue for the Government is what they can afford. If they can afford any headroom, and you have got all the housing outside—anyway, fact is if you do not have the transport to move people and you have got all the housing outside—anyway, you understand. Q304 Bob Blackman: You seem to be alluding to a suggestion of backing the areas where faster growth could be achieved quicker. Lord Heseltine: One of the arguments that has been put to me in the context of Manchester is that the best way to help the north-west is to invest in Manchester. That is a powerful argument. But the weakness of that argument carried to extreme is that the best way to help the United Kingdom is to concrete the southeast of England and move everybody there. That is ridiculous, but that is the logic of saying that you should only invest in the more successful areas. The fact is if you do not have the transport to move people and you have got all the housing outside—anyway, you understand.

Q305 James Morris: Lord Heseltine, you mentioned earlier about the Enterprise Zones that were established in the 1980s. In the Budget, George Osborne announced some new Enterprise Zones around the country. I just wondered, in terms of your experience from the Enterprise Zones of the 1980s, whether or not you think there are concerns about the effect of Enterprise Zones? Some of the evidence suggests that they often act as a displacement for activity in other parts of a local economy. For example, I represent a constituency in the Black Country in the West Midlands with four boroughs with varying degrees of economic deprivation. There is some concern that if an Enterprise Zone was in a single location it may have the effect of displacing activity out of other locations. Do you think that is one of the dangers with Enterprise Zones? Lord Heseltine: It is one of the well-rehearsed criticisms, but it may be perfectly legitimate to concentrate jobs in certain areas. The one of the dangers with Enterprise Zones? Yes, it would. So I think we are talking about two different things. That is why I am giving you a rather confused answer.

Q306 James Morris: Do you think there might be an issue therefore with the scale of the Enterprise Zones that are being proposed? I think the Enterprise Zones in the Budget are conceived of as being relatively small units, so do you think they are being pitched at the right kind of scale in order to have the desired effect of essentially driving private sector employment and regeneration? Lord Heseltine: I think that you can argue it either way. Certainly what I do believe is that if you are
going to go for serious large-scale regeneration you need to have big areas of land assembly. That I am quite sure about. That is a different concept to an Enterprise Zone. You may use an Enterprise Zone within that, but to really change the nature of a society or a community you may well have to think in quite significant terms about land assembly.

Q307 James Morris: That is interesting in the context of the Black Country. One of the things I have been arguing for is to have linked Enterprise Zones, not just solely in one place but linked together, concentrating on areas where there is significant scale in terms of land reclamation or in employment possibilities, rather than thinking of it as being just one discrete unit. Do you think that would be a better way of approaching economic development in an area like the Black Country, where you have very distinct economic geography?

Lord Heseltine: I would not answer a question without being able to look at the issue on the ground. You may be right, but I cannot know whether you are right.

Q308 George Hollingbery: I suspect the answer is going to be that this is the Government’s problem, but I will pose this question for you anyway. The human face of the ending of the housing market renewal funding is a difficult one to deal with. I have to say, we have had some very emotional witnesses and some very emotional meetings about money drying up to complete final phases of housing market areas—money coming back into regenerated areas. What would you advise us to say to Government about that human face issue? It seems to me they have been left.

Lord Heseltine: I am not well briefed on the consequences. I have heard about it. If you are out of Government, you are really out of Government.

Q309 George Hollingbery: Is it simply a matter of sunk cost, or is a matter of the money has run out, the Government has to prioritise—

Lord Heseltine: I just do not know.

Q310 Chair: But one thing for certain you are saying to us is that the Regional Growth Fund is not in any way a replacement for the housing market renewal fund.

Lord Heseltine: It is not in any way a replacement for any other scheme. We have made that absolutely clear.

Q311 Heidi Alexander: I do not know whether you are aware, but the Minister has said that they are going to be rolling the HMR funding into the Regional Growth Fund. He expects the Regional Growth Fund to fund capital projects that could support housing growth and market renewal schemes. So I wonder whether perhaps, in your role as the Chair of the RGF advisory group, you could at least give some of the witnesses who have come to this Committee some reassurance about how you will be viewing their bids in light of the criteria that you have got for RGF bids.

Lord Heseltine: You are telling me something that is very interesting about the job that I am not doing.

Heidi Alexander: The Minister thinks that you are doing this job.

Lord Heseltine: Perhaps I will get a letter telling me that something is coming around the corner, but at the moment I just—

Q312 Heidi Alexander: This was back in October of last year that the Minister said this.

Lord Heseltine: Well, it passed me by, to be honest. There is no way that we are doing housing renewal or anything of that sort. Indeed housing is not high on our list for very obvious reasons. It does not create long-term sustainable private sector jobs. It may do with some more short-term jobs, but not long-term.

Q313 Heidi Alexander: You have said that the Regional Growth Fund is not about regeneration, and we have heard that pretty loud and clear. In your view, what aspect of government policy is about regeneration at the moment?

Lord Heseltine: There is the White Paper about it all. It is called “Going for Growth” or something.

Q314 Heidi Alexander: The White Paper is three pages of text, and a table that has been cut and pasted from other Departments’ websites. It is the document that my colleague was referring to. We were very anxious as a Committee, given your past experience and what you brought to the regeneration agenda in previous decades, to get some of your thoughts on that document given how insufficient some members of this Committee feel it is.

Lord Heseltine: I have said quite clearly that we are not about regeneration. We are not about regeneration as a fund in the way in which I talk about regeneration, and as I think you are talking about it. But of course, if you are stimulating the generation of private sector jobs in areas which might have high unemployment, to that extent you are playing a role in regeneration, and the Government would list that. I am as a layman, so to speak, outside Michael Gove’s announcements about the education system are very much at the heart of it. I think he said 200 primary schools would be taken out of local authority control because they are not delivering. That is high on my personal list of what regeneration is about. But there is then the commitment of the coalition to 12 mayors in the 12 big cities. That is the most important change they could make. That is absolutely a part of making this a competitive economy in world terms.

Q315 Chair: They seem to have just dropped that one.

Lord Heseltine: No, they have not dropped it, unless again you tell me something that I do not know. I do not think I am wrong about this. What they have dropped is the proposal to have shadow mayors, which in fact I advised them to do. I advised them to do it based on what I thought was a time-honoured precedent of the Labour Governments that I remember. Every time they nationalised something, on second reading they announced the new chairman, and they called him a shadow chairman. I thought it was a very good idea because it got ahead with planning, people knew where they were, and someone could get
on with making the plans. So I suggested to the Prime Minister, who was in Opposition at this stage, to just do what the Labour Party did. You might think that is a rather flattering piece of mimicry.

Lord Heseltine: Thanks very much indeed. Thank you.

Q316 Chair: Thank you very much indeed, Lord Heseltine, for sharing your views and great experience with us. We very much appreciate it.
Witnesses: Pat Richie, Chief Executive, Homes and Communities Agency, and Richard Hill, Deputy Chief Executive, Homes and Communities Agency, gave evidence.

Q317 Chair: Good afternoon, thank you very much for coming. Welcome to the sixth evidence session of our inquiry into Regeneration. Just for the sake of our records, could you say who you are and the organisation you represent?
Pat Richie: Yes, I am Pat Richie, Chief Executive of the Homes and Communities Agency.
Richard Hill: I am Richard Hill. I am Executive Director of Programmes and Deputy Chief Exec at the Homes and Communities Agency.

Q318 Chair: Thank you very much for coming and the evidence you have already given to us in writing. These days, you have not got much money to do anything with, have you, in terms of regeneration?
Pat Richie: We still have significant investment available through our investment programmes within the agency. We have £4.5 billion of investment in the new Affordable Rent programme across the spending review period, £420 million available through our property and regeneration budget, and over £2 billion to support Decent Homes. We are changing as an organisation to reflect the fact that we have less resource, and our focus will be on continuing to deliver with local authorities on their priorities, but combined with our investment, we will look to play a greater enabling role, supporting local partners to restructure priorities and to bring forward proposals. Our role is investment, enabling and support at a local level, combined with a greater use of public land to bring forward investment. There is a combination of money, expertise and land that we will focus on delivering with local partners through the local investment plans that we have developed with local partners from when the agency was first established.

Q319 Chair: If I was being very blunt, I would say that that sounded like a pre-prepared answer. It did not really give me the feeling that you are a major player anymore in regeneration. Some of it is straightforward housing schemes; how much of that is real regeneration money? How much do you think you are going to attract in from the private sector to go with it?
Pat Richie: It is difficult to separate out regeneration from housing, because the most effective regeneration is investment in a place that includes physical regeneration and investment in housing linked to investment in economic development and the physical fabric of a place. Our focus on regeneration has been to use our resource to lever in private sector money and to work with local partners to develop a holistic approach to regeneration, although our role specifically is the investment in physical regeneration with a view to leveraging in private sector investment.

Q320 Chair: Okay; I will throw that one straight back at you then: you are no doubt aware of priority sites. I think they are partly owned by you and partly owned by RBS. There is the potential for quite a significant sum of private sector finance from RBS, millions of pounds. They can access ERDF funding. You have not got the grant to go with it at present. I understand, the sort of typical gap funding you would have had a couple of years ago or three years ago maybe. The suggestion is you might put land in and take the value out once the site has been developed. You are a bit risk averse, aren’t you, in terms of those sorts of proposals?
Pat Richie: We have been working with priority sites over a number of years to bring forward often risky economic development and regeneration schemes where the market will not always go. We have learnt from that experience in the work that we are now doing, using our own land and broader public sector land to match to resources from the private sector and European resources to bring forward projects. Various examples of that include the work we have been doing in Scotswood in Newcastle in the former Housing Market Pathfinder areas, where we put some investment in alongside the Pathfinder to de-risk the site in Scotswood to then bring in investment from a consortium of developers, Barratt, Keepmoat and Yuill, who have then levered in significant investment on the back of the resource that we have put in. We have worked with the local authority to structure that deal and to bring in their land and to bring in the land at key stages within the development, with a view to then taking a return as different parts of the site are played out.

Q321 Chair: In that scheme are you putting your land in, or are there other schemes where you are putting your land in and not wanting an up-front price for it?
Pat Richie: There are a number of schemes where we have been using our own land to support development, and we recently launched our disposal strategy for the
HCA land, all of which is now available on our website, and local authorities and developers are able to see the range of land that we own. Within the strategy we identified £30 million of investment to de-risk some of our own land, with a view to then bringing it forward for development to ensure that there is regeneration and housing linked to our land development.

An example of that might include the work we have been doing in Sunderland to de-risk the Cherry Knowle site, which is a former hospital site, where some of our investment will go into improving access to the site with a view to then drawing on our development partner panel to bring forward private sector investment to support the regeneration of that part of Sunderland. That is our own land. We have a clear two-year strategy for the next stage of our sites, which will support investment. A nother example would be the work we have been doing in Dover with some of our land.

Richard Hill: Yes, there is a big site in Dover, Connaught Barracks, which is on the list of schemes for disposal. These schemes are not straightforward vanilla housing schemes. There is a mixture of schemes where they are prime sites for residential or they are mixed-use regeneration schemes. Connaught Barracks is a good example of the latter: you cannot do it as a straightforward housing scheme. In Dover they still have stock retention; they still have a 20% rate of non-decency. It is quite a poor housing offer. We think we can use that land as a way of leveraging private sector investment and doing some of the things you were talking about in terms of priority sites. You lever private sector investment, you use public sector assets, land and structure the deal so that the return is shared between the public and the private sector.

Q 322 Chair: You would not sell the land or take any reward for the land at the beginning? You would wait for the increase in value to come later on, which you are sharing?

Richard Hill: What we do is we put the land in at day one on the basis of a deferred receipt. We are helping the cash flow of the project by making sure that people can take a view on it. We take a building lease to ensure that there is development—it does not add to somebody’s land bank, it does not just sit there, it does move quickly into development—and then we take our return on sales. We would still be ensuring value, but we would be deferring the receipt until later in the project.

Q 323 Simon Danczuk: You talked about the need to lever in private sector investment, and the Government has poured in millions of pounds of public money into housing market renewal over the last few years. You are both professionals who have worked in regeneration for many years. Do you think the investment in helping people who have been left in very difficult conditions through the halt of that programme, and we have identified £30 million of investment that would be matched by local government to deal with those people in some of the worst conditions in some of the housing market areas. We have also been looking at working to develop the legacy of the housing market renewal areas. In a number of the Pathfinder areas there are cleared sides that can be brought forward for development, and we have been looking at ways in which they can attract private sector investment. I talked about the example in Scorton, which is a legacy of HCA investment and housing renewal investment, and we will invest affordable housing and other funding in the continuation of that long-term strategy, which was started by the housing market renewal area.

In other parts of the country, for example in Sheffield, we have been doing some work with a local housing company with the local authority. To continue the legacy in Gateshead, some of the sites from the housing market renewal area are part of a joint venture with Home Group and Galliford Try, where we have put land in and the local authority have put land in. We will do the earlier sites that make some funding, with a view to then recycling that investment into the sites that are maybe more challenging within the market.

Q 324 Simon Danczuk: But before you go on, I am just wary of getting into too much detail, Pat. It is a broad-brush question really. You mentioned the £30 million; it is a bid-competitive process and not all HMR areas can bid into it: Manchester, Salford and Rochdale cannot even bid into it. It does not compare anywhere near to the money. My question broadly speaking is, with all your experience in regeneration, is it fair to assume that by cutting HMR funding suddenly so dramatically and drastically, it will result in us not getting real value out of the public money that has been put in before? You are basically saying yes, it has that effect. Is that right, Pat?

Pat Richie I am saying that it is very difficult to suddenly stop a programme—

Simon Danczuk: Well it has just been suddenly stopped, hasn’t it?

Pat Richie—and not have an impact on the places where that investment has gone. We have been working to try to deal with some of those issues through the investment in helping people who are living in some of the worst conditions in the housing market renewal areas. I am also, however, saying that in a number of housing market areas there will be sites that have been cleared, that are ready for development and that we will work with local authorities over a period of time to bring them forward for development. It is a combination of dealing with some of the families who are left in the middle of areas like Anfield and parts of Hull and supporting them to be relocated while we look at building on the legacy of the Housing Market Pathfinder areas in terms of
Richard Hill: One of the things I think is quite marketable is the country to try to respond to those changes in the housing market. We have worked with Housing Market Pathfinder areas and other parts of the country to try to respond to those changes in the market.

Richard Hill: One of the things I think is quite difficult is to respond to that question about all the HMR areas, given the difference in places that Pat was just describing. On the private sector leverage point, the range of leverage that was happening across the areas was very different, ranging from every pound of HMR investment to 72 pence in some areas, up to £2.37 in others. They were at different stages of development; they were in different stages in relationships with the private sector. Clearly in some places like Scotswood, where there is the joint venture, you can imagine things proceeding in a much more seamless way than in other places that are more challenged. I think part of the answer has to be, as Pat says, ourselves and others engaging with local authorities in the Pathfinders, both to learn the lessons of the programme but also to see what can be added to now, either through public funding or through private sector funding.

Heidi Alexander: I am just trying to get a picture nationally—I am sorry to labour this point, Chair—of what this money represents in terms of the overall scale of the challenge that is being faced by the areas that have lost HMR. I am asking you for a rough ballpark figure as to what this amount of money enables you to do in terms of the amount of money that is really needed.

Richard Hill: I think for the purposes for which the fund has been set up to achieve that sort of structured exit and to help households—we expect the £60 million to be completed, what would that £60 million represent in terms of the money it would take to complete the HMR programme, roughly, as a percentage?

Pat Richie: You have to see that the housing fund has gone in before? It is much more difficult to get investment in mixed-use schemes, and it is also very difficult to ensure demand for housing for sale when there are such constraints on the availability of mortgages. We have worked with Housing Market Pathfinder areas and other parts of the country to try to respond to those changes in the market.

Richard Hill: We expect the £30 million to be stretched to £60 million through match funding from the local authorities.

Heidi Alexander: So it is roughly 20%. Okay, just in terms—

Chair: Just let Steve come in on this point, and then I will come back to you.

Steve Rotheram: I do not know whether it helps to encapsulate the three questions that you were asked, which I though were really important, but Liverpool has had £127 million withdrawn from the HMR programme, just Liverpool alone. So we are bidding in for part of the £30 million to do part of a £60 million. We expected that there would be need out there to spend that resource. The fund is only available in the five Pathfinders you referred to: Liverpool, Hull, Stoke, Tees Valley and East Lancashire, where we thought there was that particular need. We have also been quite careful to say, as part of the fund, it is there to fund re-housing of households isolated in schemes, where there has been a closure and people left in very difficult situations, and to have a structured exit from the programme in the way that Pat was describing. What we are not saying is that funding is intended to fund additional new build or additional refurbishment. It is a very tightly controlled set of conditions for the funding, and we expect to spend the £60 million for that purpose.
scheme that is currently ongoing, not to do all the rest of it that we would have done had the £127 million been available.

Q331 Heidi Alexander: Just in terms of the local investment plans, I know the HCA has been working on that sort of process for the last year, couple of years now—
Pat Richie: Since we were established.

Q332 Heidi Alexander: Since you were established. Could you just tell me in your view how successful that process has been in leveraging in investment from other sources, from the private sector, from perhaps other parts of the public sector, and just give me your view on how successful that process has been?
Pat Richie: Since we were established we have established a local investment planning process, so right at the very beginning we have said that we will be driven by local priorities through the development of local investment plans for places. We asked local authorities to organise around the groupings that they felt reflected their housing market and the economy of their places. By and large local authorities have tended to organise around similar boundaries to the emerging local enterprise partnerships. The work we have done on the local investment plans is similar to the geography that is coming out of the local investment partnerships. They are locally driven, so they are owned by the local partners—the plans belong to local authorities—so we have enabled, facilitated, challenged and worked with the development of the plans, but they come from local partners developing their own priorities, and they tend to be across areas like Tees Valley, AGMA—the association of Manchester councils—and others. They are typically economically driven, so the starting point is a clear economic strategy for that place and then housing and broader regeneration investment sits within that economic strategy.

What I think we have learned from the process is that this has been something that local authorities have welcomed doing but it has not always been easy. It is quite difficult for local authorities to set priorities that make a decision that another place should gain from investment prior to their local authority area, so often there has been difficult choices and trade-offs in terms of phasing for the prioritisation of the local investment plans. We now have full coverage of all of the local authorities in England with the local investment plans, so there is a clear set of local strategies that attempt to join up money.

They have been successful in giving certainty to the private sector in terms of long-term priorities, and that supports more likely investment from the private sector, so if they know there is a clear priority for that set of local authorities it gives them certainty in terms of where they look at their investment. We spent a lot of time working with places on whether or not priorities are viable within the market, and we use a lot of our expertise to look at how the LIPs can bring forward viable propositions that lever private sector investment. Having said all of that, the local investment plans are now being revisited in the light of the available public sector resource and in the light of the enabling role for HCA, so we are agreeing with local authorities where they will use our commercial expertise to help bring forward local investment plans, and they are also used to look at the way in which we can use public sector land to support the development of “regen” priorities.

It has been a learning process for local partners, and I think the other thing to say is that it is different in different parts of the country. For some places, working in partnership across local authority boundaries was a new way of working. For some places, like Tees Valley and some of the authorities in the north-west, this was something that they did more naturally. It is different in different parts of the country, but I think their experience has been very helpful in terms of being clear about longer term priorities.

Q333 Heidi Alexander: My question very specifically was about the private sector funding that has been levered in to date through the local investment plan process. I know in my own local authority—I represent Lewisham in south-east London—we have huge aspirations in terms of regenerating our neighbourhoods and our economy. Much of what is in our local investment plan that we have agreed with the HCA we have not been able to bring forward because of the financial climate, so I am asking specifically, nationally, how much private sector funding has been levered in through these plans? Have you got a global figure?
Richard Hill: Over the last two years, 2009/10 and 2010/11, which are the first two years of operation, we estimate about £600 million of private sector leverage. That is just on our regeneration programme, so I am not including any of the affordable housing schemes. That includes a property regeneration budget and housing market renewal in that category.

Is it worth just describing how that process works in a particular place? If you take Corby for example, we have worked with a local authority—English Partnerships did, and then the HCA—on a regeneration scheme in the town centre that has been very successful: there is a new railway station and a new retail site in the centre of Corby. There is big private sector investment from Land Sec, who have been engaged in the scheme to date, and clearly in terms of their local investment plan that has been the conversation we have been having.

More recently we have been trying to move on to phase 2, but we cannot proceed with it as it was originally planned. Essentially, we were looking to do flatted housing development in the centre of Corby. That was felt to be the priority. In a context where the market is more flat than perhaps people had anticipated, and there is quite a lot of consented development around the edge of Corby, we are working with the local authority. So we are not doing flatted development; we are doing more of a mix of commercial and leisure, including a new cinema. We are altering the plans and the local investment plan to cope with that market reality, but in conversation with the local authority, and we are still, as a priority, trying to get private sector leverage and investment, because
Q334 David Heyes: It is pretty clear from the style of the evidence you have given so far that you are keeping your chins up in this very difficult financial climate that you are now operating in. I have to say, the evidence you are giving us, the style of what you are presenting us, is very different from what we have had from many of our other witnesses, particularly from the private sector people who have been before us. We have had a very pessimistic view from them that the reason why the private sector is failing to engage is that public sector money has dried up in many cases. We have had comments about 90% of major regeneration projects in the country being stalled at the moment. Is that a more accurate picture than what you have been trying to paint to us so far?

Pat Richie: HCA was launched a couple of years ago, at a time when there was a significant housing downturn and a collapse in investment in mixed-use schemes in particular. Our expertise has been used in a number of instances to restructure a lot of those schemes to try to ensure that we keep activity going. That might mean repacing of some of the schemes; it might mean looking at deferred return compared with what had originally been anticipated. We have spent a long time, I think, working with local partners to try to ensure that, in a challenging market, activities kept going in particular places.

An example of that would be the work we have been doing with Sheffield City Council to restructure the retail scheme in the centre of Sheffield, where we have looked at taking a different, longer term return on land and investment in order to ensure that there is a repacing of that site to bring forward investment in potentially 2,000-plus jobs in the city centre in Sheffield. Our experience has been that whilst it is difficult and there is still a challenge in being able to leverage in private sector investment, if you can look at restructuring, repacing, doing things in smaller chunks, you can keep activity going within the market. We think that over the last couple of years our investment probably was responsible for around about two-thirds of the housing that was built in the UK over the period from when we were first launched. We particularly used investment in affordable housing, in low-cost home ownership, to ensure that activity was continued in keeping sites going, particularly in regeneration areas, for example in some of the schemes in Manchester and in other northern cities.

Richard Hill: May I just add to that briefly? I think that is right: one does not want to underestimate the scale of the challenge, because most regeneration over the last 10 years has either been supported by commercial or residential, and clearly both markets are still difficult. I know the Committee went to New Islington, and clearly that is an example of where we have put some investment both into that site and the neighbouring Acocks site to fund affordable housing to try to keep some schemes running. Essentially, because the market in east Manchester is relatively flat, some of the things that we hoped to do in 2007 cannot be done in the current market. We have been keeping things going and trying to keep the scheme alive through engaging on the master plan and thinking about what we can do, but it is still a challenging market in some areas more than others.

Q335 David Heyes: The question was really trying to get a feel of your view of the extent to which the market has stalled. We have had private sector expert opinion that it is as bad as 90% of major schemes stalled at the moment. You mentioned New Islington; it is a splendid, inspirational sort of development, but it is stalled, very definitely stalled, at the moment, and there is little prospect of that picking up again in the near future. What I am trying to get is your assessment of the scale of that stalling, I guess from what you have said that you do not think it is as much as 90%.

What percentage is it?

Pat Richie: I think it is different in different parts of the country, and I think if you talk to housebuilders, you get a slightly different perspective than if you talk to mixed-use developers, particularly those who have been working in some of the northern cities. The experience from talking to housebuilders is that they are still interested in looking at buying land, and they are certainly starting to purchase more sites. They tend to want to do smaller scale development, rather than big, large-scale, long-term schemes, so we have done quite a bit of work in looking at structuring things in bite-sized chunks, if you like, to be able to bring in investment, and the investment that the Government recently announced in FirstBuy—which is an initiative to support first-time buyers to come into the market—will help investment in housing developments in particular, where about 10,500 individuals will be supported to access a mortgage by help from the Government and from the HCA to get 20% deposit to allow them then to borrow against that from a mortgage lender.

It varies, I think, across different parts of the country, but certainly in some of the schemes mentioned, through investment in market rent, through investment in affordable homes, we have been able to ensure that some of the properties that were already built have been occupied, and we have been able to ensure that some of the phases are brought forward to ensure that development is kept going, in a way that is, however, still challenging, particularly for mixed-use development.

Q336 James Morris: You have a role in disposing of assets previously held by the RDA. Is your role going to be as a broker to facilitate a fire sale, or have you got a more strategic view about how those assets should be deployed for regeneration?

Pat Richie: We are working with the Department for Business, Innovation and Skills and CLG to look at the options for the disposal of the RDA assets. That is subject to ministerial announcement fairly imminently. The proposal at the moment is to look at the development of something called the stewardship model, which would involve working with local authorities, through local enterprise partnerships, to bring forward the development of the RDA assets in a way that is informed by local partners. Our role, subject to ministerial approval, will be to work with local authorities to ensure that the RDA assets are used for the purpose for which they were purchased.
which is to create jobs and to support local business development.

**Q337 James Morris:** Just to be clear, when you talk about stewardship, does that mean control?

**Pat Richie:** It means that we will work with local partnerships to agree a long-term plan for the use of the RDA sites, often sites that are alongside our own ownerships in a number of regeneration schemes. That plan would then be subject to what we are calling a co-operation agreement with that local partnership, and any income from the assets would be then used at a local level to support the development of those assets that need investment.

We have also been working with the Department for Business, Innovation and Skills and with CLG to look at whether some of the existing sites that the RDAs currently own can be then transferred to local partners at market value. One example of that is in Gloucester, where we have worked with the RDA and the local authorities to transfer assets in what we are calling a balanced package, where the income from the assets supports the development of some of those assets that need investment moving forward. The stewardship model is really a way of working with local partners to deliver on the economic outcomes but also over time to dispose of the assets when the time is right, when the market might be right, but more importantly to really deliver the economic outcome.

**Q338 James Morris:** Is there any particular reason why the asset should not just be directly transferred to the local enterprise partnerships? Is not the role of your organisation just merely adding a level of bureaucratic oversight that is unnecessary?

**Pat Richie:** Over the period of the development of the stewardship model that is an option for local enterprise partnerships. Should they be able to acquire the assets at market value and be able then to deliver those assets, then that is an option that we would look at through the stewardship model. For example, the local authority in Newcastle on Tyne purchased the former Newcastle Brewery site, which was jointly owned by the RDA, the University and the city council, and the city council have purchased the RDA's interest in order to bring forward the regeneration of that part of the city. The stewardship model, in effect, captures the asset through the HCA so that we can then work with the local enterprise partnerships or groupings of local authorities to then deliver on particularly the business and job outcomes that the RDA assets were designed to achieve.

**Q339 James Morris:** You have talked a lot about working with local authorities and public sector organisations. What about the private sector? What role do you perceive them to have in developing these assets?

**Pat Richie:** Ultimately we look for the private sector investment to come in to take the development of the assets forward, but prior to that, in most places where we have been looking at how the stewardship model will work, they will link to private sector-led local enterprise partnerships, so they will sit within the responsibility of the LEP to develop the local strategy, and that includes local councils working alongside often private sector-chaired boards.

**Richard Hill:** It is worth just adding that what we are doing in terms of our own land at the moment, in terms of trying to encourage private sector investment, is we set out in our disposal strategy how we want to use that land to promote development—not to add to people’s land banks but to see activity. The structure of the deal essentially is, the objectives are set by the local planning system and by the local authority—that is not a top-down process, it is a locally driven process. We think we can attract private sector investment by de-risking to add certainty, providing some certainty in terms of planning, perhaps going to outline planning, thinking about demolition on the site, if that is necessary, potentially the provision of some limited amount of infrastructure, but looking to the private sector to come in to take the sales and commercial risk and do what they do best. The financial structure of the deal, as I was saying earlier, is potentially to allow the cash flow of the scheme to work with us recovering the receipt on sale and structuring an overage deal, so that is better than expected there is some return to the public sector as well as sharing with the private sector to recognise the amount of risk. That is the model we are establishing, but it already does work.

We have a scheme, Severals in Colchester: we have done an extension road off the A12. The local authorities borrowed to help fund that road. The site is now going to a private sector developer to build out the site. Essex County Council take the priority return to recognise their investment, because they borrowed against the scheme. There is then an overage deal where some investment comes to us. You can get private sector activity if you structure the deal in that way, and that is what we are doing on our own land, and that is broadly what we would expect to do on other public sector land if we were asked to.

**Q340 Chair:** Coming back to the point, like James, I was struggling a bit with this term “stewardship”. I had not heard it before. It seemed to imply in the end you wanted market value for the land, but isn’t one of the problems at present that the private sector has got difficult problems. It is probably not going to take all the risks, so the one in Essex might work, and I would probably suggest there is quite a lot around the country that are not getting off the ground. Why can’t you take an element of the risk and say, “Okay, let’s have an asset-backed vehicle, we will put our land in and if it works we get something out of it; if it does not, we do not.” Whatever you are trying to say, we have to have market value. Are you not constraining what is going to happen and maybe stop these schemes altogether?

**Richard Hill:** I think we are not saying that we will always take a view of obtaining maximum market value on a scheme. We are looking to achieve the value consistent with the agreed use of the site with the local authority.

**Q341 Chair:** What is the difference?
Richard Hill: If the local authority has particular priorities for its site, whether they are housing or retail—

Q 342 Chair: Then it is the market value that you agree with the local authority.

Richard Hill: That is right, but that is not seeking to secure always maximum market value.

Q 343 Chair: No, but it is still market value, isn’t it, and it is still not taking the risk.

Richard Hill: And in that context we can structure both finance and potentially the vehicle, so there is a risk-sharing approach on that land. Clearly, we have to work within the guidelines that we are given by Treasury and others to ensure value for the public purse from those investments.

Q 344 Chair: Are you restricted, then, in not being able to do the sort of arrangement that I suggested by Treasury?

Richard Hill: It would depend on, I think, the detail of what you were proposing. We clearly have to work within the framework that Treasury gives us, but that does give us some flexibility to do things for different uses and to structure vehicles in different ways, and potentially to put the land into asset-backed vehicles if that was something we wanted to do.

Pat Richie: I think linked to that we would need to go through as we do an economic appraisal with Treasury to ensure that any investment delivers on a range of economic outcomes, particularly in the RDA assets, where in a number of cases, if not the majority, they are subject to development agreements. They are part of joint, broader regeneration strategies where there has already been a trade-off, I think, in terms of the return from a market return compared with the economic outcomes in terms of jobs and investment in a place. That would normally be worked through as part of any economic appraisal and value-for-money work that we would do on looking at options. In a number of areas we have taken significant risks. For example, we are landowners in a number of the large northern cities, where we have looked at restructuring proposals. For example, in Liverpool we own land adjacent to the conference centre. We have looked at ways in which we can use that land more flexibly to support the extension of the conference centre in order to create jobs and take a deferred or a lower return depending on the trade-off in relation to the achievements of the investment, but that would be worked through through the option and economic appraisals.

Q 345 Mark Pawsey: You have introduced the concept of market reality and market value. Isn’t it the case that market values now are much lower than they were before, and if the land is worth rather less, the projects should be able to go ahead, because the land is then cheaper— is in at lower value. Or are you being held back by the fact that you are having to work with the historic value and the values that land was acquired at?

Pat Richie: Some of the land in our disposal strategy was acquired at a particular time in the market.

Q 346 Mark Pawsey: At high prices.

Pat Richie: At high prices.

Q 347 Mark Pawsey: And is not reality that those times have gone, values are lower now and you just have to accept that?

Pat Richie: We do accept that, and we are working through that as part of the way in which we have structured deals, for example on our public land initiative and a range of the work that we have done with our development partner panel. But at some stage, if there is an upturn and the market comes back and there are greater returns to be made in later phases of the site, we would normally structure an average deal so that the public purse gets some return on taking the risk on that investment.

Q 348 Mark Pawsey: But isn’t it better to take the hit and have things happen than to sit and wait for the market to come back up again?

Pat Richie: It is a balance, I think, and it depends on different propositions.

Richard Hill: Certainly over the last two years we have taken write-downs on our books in terms of land, so we are confident now that the land in our books represents the real value. When we have looked at the sites we have taken for disposal, we have done that on the basis that those are viable sites where housing can go ahead; it would not be sensible to do anything else.

I think there is a slightly separate question, though. There are a number of developers who still have land on their books at historic prices. Clearly that is a drag on investment if they want to recover those values. There is clearly a balance between what can be done on our land and what can be done on privately owned land.

Q 349 Steve Rotheram: Despite the apparent constraints that you identified in the previous question, what single recommendation would you make to this Committee about the best way to sustain regeneration in these economically challenging times?

Chair: Single, and very brief, please.

Pat Richie: My single recommendation I think would be to have a clear long-term strategy for a place linked to the sort of work we have been doing in the local investment plans, and to be prepared to then rephase, prioritise and bend that according to the market and according to the various different means that there are of delivering that long-term strategy. But the key important thing is to have a very clear economically driven strategy that you can then adapt to both the market conditions and the public sector conditions that prevail at that time to be able to rephase and prioritise that according to the conditions, but have a strong, clear focus on the priorities and the leadership of place.

Chair: Thank you both very much.
Grant Shapps: You may call it discussions; it was an approach is not a sensible way to achieve very heated. It is quite clear to us that that top-down have been done for them as it was. Indeed, I have sat in the council offices in Liverpool, literally having an argument about whether it should residents on both sides of the regeneration argument, think you have to be active participants. We think that regeneration is something that can be done to you; we think that is enormously important. We do not think information. Put very simply, we want local opportunity to help describe and disseminate

This Select Committee is a great toolkit? Could you identify the other documents and how we might read them together with the Government’s policy on generation?

Grant Shapps: Shall I kick off? This is a regeneration toolkit: it is largely about the graphs and tables at the back of it. It is not about the narrative at the front of it, otherwise we would have written a 20, 50 or 100-page document, which would have been fine, warm words without any purpose to it. We nicknamed it a toolkit because it is devised for those purposes, and it is certainly not intended to be the be all and end all when it comes to regeneration. It is supposed to be a very deliberate attempt to move from the top-down, centrally driven, bluntly unaffordable and certainly unsustainable approach to redevelopment and regeneration that has not always delivered what was intended despite the many thousands of pages of words.

Grant Shapps: I am delighted that you are carrying out this work because it gives us the opportunity, but it was not our only statement either. We have published other documents as well on the subject.

Grant Shapps: This Select Committee is a great opportunity to help describe and disseminate information. Put very simply, we want local communities to take control of their regeneration. We think that is enormously important. We do not think regeneration is something that can be done to you; we think you have to be active participants. We think that too much of the regeneration in the past was divisive. Indeed, I have sat in the council offices in Liverpool, for example, with the leave of the council and residents on both sides of the regeneration argument, literally having an argument about whether it should have been done for them as it was.

Grant Shapps: You may call it discussions; it was pretty heated. It is quite clear to us that that top-down approach is not a sensible way to achieve regeneration, and of course this is all against a context of the debt reduction programme. We want to provide the tools, enable people—some of the things that I know you have been discussing—to make sure that local communities have the power and the tools and the various different policies in place to be able to create their own regeneration that is locally owned as well as delivered.

Grant Shapps: Look, we obviously have a very different view of the way that we think regeneration should be carried out. The previous Administration believed it could be done top down, and that of course involves setting up a whole bureaucracy, with, by the way, 5% to 7% of the expenditure on HMR regeneration not spent regenerating anyone or anything but just on administering the bureaucratic institutions that it created. That is not our approach, and so if you are saying the accusation is we have pulled together policies from across Government: guilty.

Grant Shapps: I think it was Lord Heseltine who said to you that one department on its own, DCLG he said, would never have the ability to regenerate the country on its own. Of course, that is obvious—that is clear. Regeneration, just like everything to do with housing, by the way, and things like homelessness, is to do with bringing Departments together so that Government is working in the same direction. There are many things that our Department is doing; I hope, believe, that we are leading by example. The New Homes Bonus, which will bring billions of pounds into the business of building homes in the community, and of specific use in regeneration areas, and former HMR areas, by the way, is a very good example of a Department-led initiative. The move to ensure that local authorities get to keep their business rates, and therefore set out a vision and expand; that is an example of something from our Department that is developing at speed. There are many others, but
It is undeniable that there are things that are cross-Government, like the Regional Growth Fund, the European development funding and many other things besides. I think any document that was restricted—if this is what you are calling for—to a toolkit only of DCLG measures would be missing the vast part of regeneration possibilities. Our objective is to bring that altogether in a set of tables and tools that, out there, I can tell you—I am sure Andrew will tell you the same—when you visit these areas are being picked up, used and, in some quite surprising circumstances, delivering faster regeneration on the ground than was available through the top-down approach. I can see you are shaking your head, but let me give you one simple example.

One of the previous Government’s policies was PFI rounds of funding; private finance initiative. I went up to Collyhurst in Manchester after two Members in the Chamber challenged the Prime Minister over not winning round 6 bidding for the Collyhurst estate there. It is true; they did not win round 6 bidding. It is also true they did not win round 5 or 4, and that it had been held out as a redevelopment, a regeneration for many years. They claim that people on that estate have unsurprisingly become pretty sceptical. They were disappointed not to get round 6. It was a quarter of a billion pounds of Government funding that was offered through round 6.

When I got there, I discovered that what was required was not strictly a quarter of a billion pounds of other taxpayers’ money to regenerate this estate, but a sensible common-sense approach—just the kind of thing you will find in our toolkit, by the way— to regenerating that estate, which absolutely starts with two things. Number one, it starts with decent homes funding, because the homes required investment, and secondly the local authority leading that regeneration with absolute clarity. When I got there, contrary to what the two Members of Parliament had suggested at PMQs, I found a local authority who completely got that, who had read the toolkit, were saying, “Minister, we think we have the solutions. Not only is Collyhurst now going to be our number one housing project, not only our number one regeneration project, but our number one project for our council to get this area regenerated.”

Now, I am going back up there in the autumn to see homes being improved on the ground. By the way, it includes investment from other departments, including for example the transport infrastructure, and so whilst others can pooh-pooh the idea that this should only be done through some DCLG programmes, like the top-down regeneration of old, what I can tell you is that on the ground it is delivering in Collyhurst private sector potential to an estate where six different housing companies have been interested in bidding to help regenerate this estate. It would have been wrong for taxpayers’ money to have been used in this particular instance because there was another possibility, and that possibility is coming to fruition much faster than the never-never programme of top-down regeneration.

Andrew Stunell: I just wanted to emphasise the point that Grant had made, that it is not a single departmental initiative. The plan for growth was launched by the Secretary of State for Business, Innovation and Skills and the Chancellor at Budget time, and it is a very comprehensive, cross-Government approach to getting the economy going and getting growth going. This, the regeneration that is the responsibility of this Department, is a part of that. It is not superseding it or different from it. The Local Enterprise Partnerships are going to be very important vehicles for making sure that these regeneration schemes and regeneration in a broader sense get under way and are facilitated over the coming years.

I also think it is quite important to pick up a second of the points that Grant has just made, which is that it is not just sufficient to have physical regeneration. You have to have social regeneration as well. The interesting thing about some of the schemes that I have visited is it is where that community involvement happens, where the community is engaged, that you get the biggest add-on, the biggest multipliers for what investment is made. Just last week I was at St. Peter’s in Ashton-under-Lyme in Greater Manchester, looking at the schemes that they have there. They claim to have a 7-to-1 multiplier. You could divide that by 10 and halve it again and it would still be better than the multipliers that are coming from other schemes. We should not underestimate, and we should not patronise, what happens at the local community level.

I would also just draw the Committee’s attention to the report by Baroness Newlove—I am sure you have had it in any case—Our Vision for Safe and Active Communities. It is not specifically related to regeneration with a capital R, but it is very much about how local communities have capacities that are often suppressed and disabled by the kind of top-down schemes that we have been familiar with in the past.

It is about changing the mindset at the top as well as changing the mindset at the bottom to get added value for the money we do spend.

Q356 Simon Danczuk: Briefly, practically everyone we have spoken to about this document has implied that it suggests you do not really care about regeneration. I just briefly, do you both regret the nature and style of the document, or is it something that you are particularly proud of?

Grant Shapps: Very proud of it, because, do you know what, it is not about how many pages you write, and I would have thought if we have learnt anything over the past goodness knows how many years, the size of the Government document does not deliver the strategy. It is the determination to deliver it that matters. I am passionate about regeneration; I have probably spent more time than many travelling around the country to see regeneration projects. Andrew has spent a great deal of time visiting others. Between us, I would probably challenge anyone on the Committee to say they have seen or talked to more people about it, and we passionately care about it. We are living within very different times. We do not have the money that they did not actually have before but they thought they did when they were spending it, so therefore the response has to be different. And by the way, the response before was riddled with holes. The hope
value that a ton of Government cash, sometimes spent and sometimes misspent, would create in a community would delay the point of regeneration. Those schemes were controversial—I mention, for example, the Welsh streets in Liverpool situation—and on other occasions have left people completely stranded in half regenerated, half-knocked down locations, many of which I have seen over long periods of time, Nelson in Lancashire, for example. So if I were not writing a report about our slim but useful document, but instead writing one about the reams that were written about regeneration under the previous strategy, I would be pretty damning of the value per word of that previous strategy.

Q357 Bob Blackman: Could I invite Grant to just give us your definition of what regeneration is, and what the purpose is? I think that will start us in the direction for the Committee later on.

Grants Shapps: I think as Andrew said, it is about transforming lives. From my point of view as Housing Minister, this is about the home that you live in and having a decent roof over your head. But it is also about the ability of the people living in that home, whether it is, for example, a gentleman’s home, expectations in life, aspiration and those types of things, and it is also about living in communities that properly function. It is one thing to be regenerated, but to live in a soulless place is not any great achievement. That equally applies to brand-new estates that are sometimes built. So I take regeneration to be the very widest possible context, which again is why I say you cannot look at regeneration—as I fear is suggested from one or two of the opening questions—on the narrow basis of “What budget is DCLG putting into which quango to deliver what has narrowly been thought of as regeneration?” and forget about health, education, levels of crime and all the other quality of life issues in a local community.

Q358 Bob Blackman: Some witnesses and other people we have spoken to would say that regeneration is all about the Government interfering where the market has failed. Would you agree with that?

Grants Shapps: I absolutely take the view that Government cannot turn its back and walk away from problems in this country. I absolutely believe to have a regeneration agenda, it is a passion, which is why, even with the really difficult decisions that we had to make, we continued to fund £1.3 billion of budgets to complete things that had already been contractually agreed. It is why we then said that there would be a further £5 million as a transition for some of the HM & R areas, and then actually announced another £30 million, match-funded to £60 million, for areas where you have ended up—we have both been to see them—with one or two people pepper-potted in a street that has otherwise been abandoned, half-knocked down, decanted, where life is a misery. So I am keen to help from a Government point of view. But you are absolutely right. The track record for Government doing this on its own has not been spectacular, and has been subject to much criticism. In fact we think there are better ways to do it. On Friday we saw a very significant announcement from UK Regeneration of a pilot scheme of £150 million backed by Barclays Capital, which will go to help to regenerate. This is absolutely the kind of thing that we want to see. It is a very exciting development, and very timely considering the work that you are doing. UK Regeneration have a network, they help to promote the lessons learned. They publish a very good bi-weekly newsletter that you should all get hold of. And they are saying that they have the potential to regenerate 20,000 homes by 2020. Even in a Government programme scheme 20,000 is a pretty big deal. We have just announced First Buy for over 10,000 homes in England, for example. So this is pretty significant stuff. I agree with the proposition that, communities, sometimes local government, sometimes UK Regeneration or other community projects—I know that Andrew has been to see some recently as well—are a very sensible way to lead regeneration.

Q359 Bob Blackman: No doubt we will explore some of those. You have been critical of the past Government’s regeneration programmes. I can understand that. But equally you could be critical of all regeneration programmes. So how have taken place over the past 30 years. One of the criticisms that has been made, which I have certainly made and other witnesses have made as well, is that we have had one programme after another. Different Ministers come and go with different ideas and schemes, but there is never an evaluation of how successful or otherwise those schemes have been. So have you conducted any evaluation on the previous Government’s schemes, and what are the lessons you have learned?

Andrew Stunell: First of all, the last Government did commission an evaluation, I think in 2006. It was called the evaluation of the National Strategy for Neighbourhood Renewal. And as you quite rightly say, that found some criticisms of the way that things had happened, and hopefully we will be learning from that. One way of defining regeneration is in terms of housing market failure, but I think you need to go behind that. Why has the housing market failed? It may be about crime, education or health, but very commonly it is also about jobs, employment, opportunities and skills in those communities. So I do not think it is possible to take a regeneration agenda which does not spread out into those other Departments’ policy areas, but takes a holistic view. And I come back to my starting point about the plan for growth. That is absolutely vital to get many of these communities to a point where they are in some sense self-sustaining. We have got stuck communities, communities which regeneration after regeneration are basically going nowhere, and that requires more than simply the traditional renewal process to be undertaken.

Grants Shapps: If you think about it, right at its very heart the previous approach to regeneration was unsustainable. If your approach is Government money going in and that is the only way to keep the show on the road, eventually it is going to run out. Of course that is what we have seen. I think the results for 10 years’ worth of massive investment were modest to say the least. I do not want to say that there were no successes, I have been to places and seen some
successes for sure. But I think any rational analysis that has been done suggests that it did not always work out as well as it should have done. I think there was a failure to tailor to local circumstances, so the attempt to measure outcomes here in Westminster over things like crime, health and education often tried to impose a national template on local situations not very sympathetically. There was a failure to involve local people. I have talked about some of the disengagement that I have seen and the rancour that it caused. There was too much bureaucracy, and I have talked about some of the costs involved in some of that. I know Andrew has seen Liverpool, where 30 different Government regeneration initiatives were trying to run side by side, all from Westminster into the locality.

I think, frankly, it sometimes ended up blighting areas, and, perversely, pushed private investment further away rather than nearer. That could have been because land prices started to increase even though nothing had happened, because everybody knew the Government’s cheque book was in town, and that so-called hope value prevented developments from going ahead. So there were problems with that as well. But it was not a spectacular, unmitigated failure; it helped lots of people. The problem we have today is that, without capital, you will not be able to get anything underway for some of these schemes.

Chair: There was a question we were not expecting.

Grant Shapps: We know that outcomes are more successful when they are owned locally, and it is a decision of that local community. I gave the Manchester, Collyhurst example before.

Blackman: Just to cut across you, clearly the issue is going to be that, without capital, you will not be able to get anything underway for some of these schemes.

Grant Shapps: No, I do not think that is right.

Chair: You can both give the same answer as well.

Blackman: Let us just concentrate on regeneration.

Stunell: I think it is a question we were not expecting.

Grant Shapps: We know that outcomes are more successful when they are owned locally, and it is a decision of that local community. I gave the Manchester, Collyhurst example before.

Blackman: Just to cut across you, clearly the issue is going to be that, without capital, you will not be able to get anything underway for some of these schemes.

Grant Shapps: No, I do not think that is right.

Blackman: Equally, the witnesses we have seen would say the same thing. One of the problems about this is the gap in funding. There is just a gap required to fulfil it. Are you prepared to go along with some of these schemes?

Grant Shapps: Perhaps they have not all had the advantage of seeing quite as many of these as we have. It is fascinating to watch. I will give you an example: Merseyside, the housing market renewal there at Sefton. You could not think of a tougher environment from which to try to assist given the economic backdrop we face: past-finished housing market renewal. There is a very innovative guy out there called Alan Lunt. He has decided to use the toolkit, which includes, for example, the New Homes Bonus, and realised that if he were to clear and prepare homes that are now largely abandoned, he would be creating a development area for 450 homes. For the few that were occupied, he is eligible to use another part of the toolkit, the £30 million match funded—£60 million, or perhaps—money to clear the areas where people are still pepper-potted in homes. He uses is in the process of borrowing against the New Homes Bonus in order to fund the clearance in order to bring in private developers. There is another aspect, also in the toolkit, which is affordable rent. Suddenly he has the ability to leverage in higher rents, supported where required by the housing benefit for people who have probably come out of the private rented sector on even higher rents, in order to support the mix of homes on that land.

So here we have an example of using not one, New Homes Bonus, not two, mixed with the £30 million/£60 million match funded money coming in for the transition that I announced, but another one as well to bring these three different aspects together in order to achieve the continuation of housing market renewal areas.

Blackman: I am sure some of these other areas will be explored. So as far as you are concerned no more Government is required for regeneration above and beyond what you have got.

Grant Shapps: The reality is we do not have more money.

Blackman: But be clear. You have an opportunity to put it on record.

Grant Shapps: You are saying, “If money was no object what would you do?” If money was no object, then quite clearly it would be ridiculous to say there is never anything else that you could do. However, money is an object. We do not have any further resources. What I tried to explain in the Sefton example is how not one or two but three different Government policies in the toolkit are being used. I firmly believe and expect that will create the regeneration in a difficult-to-regenerate neighbourhood because, actually, stack these policies up and they make sense for regeneration.

Heidi Alexander: I think I have clearly come armed with some examples of where your regeneration toolkit has worked. Some of the places we visited and some of the witnesses that we had evidence from might say to us that the spinner or the chisel in the toolkit is not enough, and what they really need is a pneumatic drill in their areas. What
would you say exists in this document for the areas of greatest deprivation? Would you agree with people who say the regeneration strategy is more about supporting areas that are capable of high growth and therefore closer to getting that break than those areas of greatest deprivation?

Grant Shapps: We know that of the regeneration areas, five are still in higher need of assistance and that is the £30 million/£60 million fund.

Q 367 Heidi Alexander: That is only housing market renewal, not regeneration areas.

Grant Shapps: Yes, that is right. It depends how you measure the needs of regeneration. But if we are going to talk about in totality, let’s switch to that and say that there are a range of policies which either were not around at the time of the launch of this in January, or subsequent to it, such as local enterprise partnerships that now cover 95% of the population and are really good at focusing assistance in a way that most people did not find the RDAs were able to. We have got the Enterprise Zones. There will be 21 of them, and 11 have already been announced. Again, that would not have been taken into account there. We have got the financial vehicles, such as tax increment finance, which has serious ability to unlock areas that previously looked undevelopable. And in addition, again, subsequent to this, which shows how fast things move along, we have got the business rate retention, which is about to have the biggest impact on local government finance of anything that we have seen for a very long time because it is all about being able to keep the proceeds, the benefits, of growing your area. This is a massive part of the toolkit.

You might say that is okay but authority x, in this ward which is particularly deprived, does not have businesses. Sure, but, you know what, this area over here happens to be the business district for that local authority. And with vision, for sight and the ability to control these matters locally, the local authority will be able to do that. But there is more still, again not in there because this is a later policy. For example, the Homes and Communities Agency are spearheading a cross-Government scheme to ensure we are releasing Government land. We have introduced a scheme called Build Now, Pay Later. We are starting to get the financial vehicles, such as tax increment finance, that you can actually get on with the regeneration and not pay until you have something successful on there: homes, businesses and so on. I have mentioned the affordable rent. That was not fully covered in the toolkit because that is a very important part of being able to bring a better mix of housing and make projects which previously would not have been sustainable or workable, or were on ice, work.

So Barking and Dagenham, for example, have a large regeneration project where the housing element, which leads the regeneration, has been stalled for quite some time. Now affordable rent may well be the key to unlocking that stalled development because it provides more money into the area, a better combination. I could go on. There is the Regional Growth Fund and the European Development money. This is why when people say surely it is wrong just to add all these things up and call it a regeneration policy, I say that is absolutely wrong. Of course somebody has to think about it and explain to local authorities and local people how to put all of that together. That is our job and the job of the Homes and Communities Agency, UK Regeneration and many others. But it is the case that these programmes work in partnership with each other.

Q 368 Heidi Alexander: You are talking a good game, but in the evidence that the CLG Department submitted to the Committee, paragraph 41, you said, “Ultimately the success of our approach will be measured by the strength and balance of the UK economy.” So if the UK economy is strong, is it fine for deprived parts of London, Liverpool and Manchester to lag behind?

Grant Shapps: No, and you have got me onto another list now, which is really good at focusing assistance in a way that most people did not find the RDAs were able to. We have got the Enterprise Zones. There will be 21 of them, and 11 have already been announced. Again, that would not have been taken into account there. We have got the financial vehicles, such as tax increment finance, which has serious ability to unlock areas that previously looked undevelopable. And in addition, again, subsequent to this, which shows how fast things move along, we have got the business rate retention, which is about to have the biggest impact on local government finance of anything that we have seen for a very long time because it is all about being able to keep the proceeds, the benefits, of growing your area. This is a massive part of the toolkit.

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David Heyes: what we are trying to do with the shift. economies that are sustainable is really at the heart of that are based on the reality of needing to create local this approach to regeneration, locally led with answers to be reliant on continuous pump priming. I think that is an illustration of the fact that if you think a man behind a desk in Whitehall somehow miraculously on parallel project delivering similar benefits. I think that one that they themselves have been able to go to an learning point out of that was that actually there was community engagement, community ownership and developed there, which shows that you can have community benefits there that they have successful established in St. Peter’s. As Mr Heyes has said, it is a deprived community, but it is also a divided community. Part of the work that St. Peter’s Partnership has done is to bring those two very different communities together in common work. Not from what I was told when I visited, not without some concern. But eventually a model has been ended two years ago.

Grant Shapps: This is why I said in my earlier comments did raise a slightly more fundamental question, because he was saying that described a very high level of investment went into Newham, and the Olympic Games, and other things, the deprivation index had not shifted. Therefore it was just circulating the same problem.

Andrew Stunell: They were very proud to show me the photograph, I have to say. But I would just say two things to you, Mr Heyes. They have now been invited to replicate what they have done in St. Peter’s in Hyde, which is a community a little bit further away but similar. And they have discovered that what they built the hard way in St. Peter’s is a scalable model that can be used in Hyde, and they have been working in Hyde now for 18 months on contract to Tameside Metropolitan Borough to deliver the same kind of community benefits there that they have successful established in St. Peter’s. As Mr Heyes has said, it is a deprived community, but it is also a divided community. Part of the work that St. Peter’s Partnership has done is to bring those two very different communities together in common work. Not so much incidentally as centrally, they are employing people from the local community, and young people from the local community, to deliver the services to other people in the local community I understand, from what I was told when I visited, not without some controversy as far as the local authority was concerned. But eventually a model has been developed there, which shows that you can have community engagement, community ownership and even community delivery of the kind of benefits that Mr. Heyes and I have quite correctly identified. I certainly do not deny that they have had a lot of money spent, and it has been to good effect. My learning point out of that was that actually there was the capacity inside that community to deliver far more than experts from 200 miles away probably thought was possible. Certainly it is not just a one-off, it is one that they themselves have been able to go to an entirely different community with and develop a parallel project delivering similar benefits. I think that is an illustration of the fact that if you think a man behind a desk in Whitehall somehow miraculously on
Grant Shapps: I will just add to that because I hope we have spent several hundred million pounds on a regeneration of money. Now I do not say that there has not been that expenditure of money. Having done that, they produced seed which has been planted in Hyde where there has not been that expenditure of money. Now I do not say that we have not done that. But I think we need to get away from the view that unless we have spent several hundred million pounds on a particular project, we are not going to get a good return.

Grant Shapps: I will just add to that because I hope the Committee is not getting the impression that we think this can all be done without any taxpayers’ money, far from it. Just looking at the figures for 2011–2012 year, we are spending getting close to £4 billion on regeneration-related work, with, over the spending period, funding streams of another £12.5 billion in addition. And that does not take into account the repetitive years of things like the New Homes Bonus. It is annexed here. I can send that back to you. I think your Department has very kindly provided that table for us. The figure you quoted does include a substantial amount of Regional Growth Fund, and the Chair to the Advisory Panel told us last week that that categorically was not about regeneration.

Grant Shapps: You have spent the first part of this meeting asking me about things like how the economy rebalances itself. In those answers I have talked about the Regional Growth Fund, and now you are saying that is not going to be with this subject. And actually—Heidi Alexander: No, I am not saying that. The Chair of the Advisory Panel said that.

Grant Shapps: I see. Well let me just get one correction on record. I think the comment was made that none of this money is going into regeneration areas or housing market renewal areas perhaps, which is not in fact the case. Two of the bids—one of them goes to Hull, one of them to Wakefield—are actually housing-led regeneration projects. So to get the facts on the table, some of that money will certainly help. I think a lot of that money will help because it is typically being spent to rebalance the economy in areas that struggle to do market things because the private sector is not in the lead generating wealth and so on. So I think it would be wrong on either definition to exclude it, but specifically it is included in both the Hull housing market renewal and the Wakefield one.

Q375 Heidi Alexander: Just a very quick question. I think your Department has very kindly provided that table for us. The figure you quoted does include a substantial amount of Regional Growth Fund, and the Chair to the Advisory Panel told us last week that that categorically was not about regeneration.

Grant Shapps: You have spent the first part of this meeting asking me about things like how the economy rebalances itself. In those answers I have talked about the Regional Growth Fund, and now you are saying that is not going to be with this subject. And actually—Heidi Alexander: No, I am not saying that. The Chair of the Advisory Panel said that.

Andrew Stunell: And my point was that it certainly took time and investment for St. Peter’s to take root in a regeneration scheme.

Andrew Stunell: Funnily enough, its terms of reference are largely defined by its title. It is a Regional Growth Fund, and, quite understandably, Lord Heseltine is defending that title. There will be occasions when funding of housing renewal will be a way of promoting growth, and the Hull project evidently met the criteria set for the Regional Growth Fund, and has achieved success. The same is true of Wakefield. But on the other hand, if I look at spending in Greater Manchester, the bid put in by the local enterprise partnership there did not relate directly to regeneration or to housing. Manchester were successful in a number of projects that were about promoting employment growth.
Q377 Simon Danczuk: So Andrew, sorry to cut across you there, you agree with Lord Heseltine, your RGF says that the Regional Growth Fund is nothing to do with regeneration. That is what he said. Do you agree with him?
Andrew Stunell: I agree with the terms of reference of the Regional Growth Fund, which you can see I do not actually have in front of me. They do not exclude anything, but they do put the emphasis on promoting regional growth. And primarily, as you can see from the bids that are being accepted, that has been about providing additional employment opportunities. In the case of Hull and Wakefield the criteria of that had been met and investment has been made.

Q378 Simon Danczuk: But as we all accept, there is a difference between stimulating economic growth and regeneration. What Government spending would you not include in your regeneration budget then if all public spending had some sort of economic impact? It would be a lot higher than £3.8 billion.
Grant Shapps: You have really hit the nub of the issue here, which is that you do not think that regional growth and regeneration are the same. If you take that view and do not believe that the two are intrinsically connected, then I can see why you would be struggling with an approach that says we need the economy to be successful in order to have this country regenerate in areas where it has struggled. The two are absolutely intrinsically linked. We cannot and will not ever manage in isolation to regenerate communities if we do not understand that in order for that regeneration to be a true success, as has been the case with all the ones that we have seen and you have seen as well, you have to have the jobs, the employment, the enterprise to go alongside and make the thing function. So I think the two are absolutely inextricably linked. As it happens, a couple of the regeneration projects are housing market renewal areas and housing related.
And to answer your last point, if you were to take the broadest possible definition—I know the answer to this because I have done the work on it—if you were to look at some of the programmes to try to remove, for example, educational disadvantages and so on, you end up with a loose title of £20 billion. That is how much Government funding goes in to making sure that communities regenerate and are able to grow. I am not here trying to present a figure of £20 billion to you; I would suggest it is £4 billion. But it does show how difficult it is to define precisely what is regeneration, what is promoting growth, and it turns out that all these things are very tightly interlinked. I believe the definition should be that good regeneration funding is sustainable. That is my definition of where we should be going. My criticism is that too much of it in the past was great on the surface, but there were no plans to sustain that community afterwards, and too often the communities were the ones who really suffered.

Q379 Simon Danczuk: That is the point I want to come to. I am happy for you both to disagree with Lord Heseltine. But the points that you made in October last year, Grant, are that housing market renewal would be picked up in the Regional Growth Fund. Last week Lord Heseltine said that the Regional Growth Fund was not in any way a replacement for HMR funding. This is the key point; the people who live in these HMR areas heard one thing last October and another thing last week from Lord Heseltine. Do you not feel sorry for these people in terms of the mixed messages that they are receiving in these communities?
Grant Shapps: First of all, I realise that everyone is absolutely hooked on every word we utter, but the truth is that people are going to judge it most by their own circumstances and what is happening in their own community. The fact on the ground, if you happen to live in Hull or Wakefield in the housing market renewal area, is by hook or by crook, and you probably will not really care which, your area is about to receive some very significant investment through the Regional Growth Fund. You do not have to sit on either side of who is right and who is wrong to know what it feels like when you are fortunate enough not to have to live in a home that has been partially abandoned as a result of the programme that got rather out of control previously, such as the Pathfinder programme. So I do not feel any need to adjudicate on behalf of that resident.
To answer your question, yes, I feel absolutely passionately about people who are left stranded in streets where there is nobody else there. I could not be more critical of how we ended up in a situation where, without any guarantee of funding whatsoever, that was the path that was followed, because the previous Government were saying they were going to cut regeneration in their manifesto. So why did we end up in this situation? And that is the position, and we are having to pick up the pieces and put the local communities in the lead.

Q380 Heather Wheeler: This takes us onto quite an interesting area about social capacity in areas where there has been regeneration. The perception is the money has stopped, the tap has been turned off. Because social capacity is so important, because the local communities ought to be the people and could be the people leading this regeneration, what do you think the Government needs to do? In your paper do you think you show leadership where you are saying we will not lose these skills? Where are the answers to those questions?
Andrew Stunell: Perhaps I can have a first go at that. I have already referred to Baroness Newlove’s report. I am sure she would not want to over claim for it, but I think it is a very useful report because it explores what the capacity is in what might be described as disadvantaged or deprived neighbourhoods. I think it has got some excellent examples, which followed her research and visits. The message that comes out of it is one that probably will not surprise members of the Committee if they think about their own constituencies, but perhaps needs to be learned a bit behind the desks in Whitehall: there is a lot of suppressed capacity and ambition in communities. It is true that not everybody has got the time, capacity or willingness to volunteer and do all these things, but there is a lot of capacity there, and she has illustrated some very good examples and is doing some work in...
conjunction with the Department about how we can develop that.

As we have already announced, we will be producing a paper on integration and social cohesion in a few weeks' time. We are looking there at what the things are that need to be addressed to tackle the problems with what we have called stuck communities. I have referred to this before; they are communities that have quite often had regeneration done to them not just once but twice. I am thinking of places like the Moss Side area or the Hulme area in Manchester where the underlying social and economic problems still have not been addressed. I think we have to take a quite fresh approach to this that recognises that a lot of local communities have got capacity that the present systems and the top-down direction of decision making are actually disabling rather than enabling. I will put in a plug for localism and all that that means, about turning things round so that more decisions are back in the hands of local communities. I really would not want this Committee to take a patronising view back in the hands of local communities. I really would not want this Committee to take a patronising view about the capacity of many local communities—I go back to St. Peter's as one example—to find solutions about the capacity of many local communities there who were clearly enthusiastic about already, have created a knowledge network to enable and support local communities however they possibly can. In terms of capacity building, I think this is one of the most important ways to get it done. They are real experts, they know what they are doing, they have been through this many times before and they can help local authorities take the lead. In the past occasionally it was in danger of telling local authorities how they should take the lead, but instead they are facilitating that.

Q381 Chair: I am aware that you mentioned Hulme. We went to Hulme the other day as part of our Committee visit to look at regeneration schemes. City Challenge Hulme is generally held up to be one of the success stories of regeneration. A lot of money was spent, but there is evidence on the ground of a lot of physical improvement. We talked to people in the local communities there who were clearly enthusiastic about the role they had been given as part of that development. The public and private sector are working together. Unemployment is still too high but it is lower than it was. So if you had had your approach to this, without that expenditure of public money, which is why we have a budget that is £3.94 billion. That is a substantial amount of money. We are not saying at all that regeneration can always be achieved without the input of any public money. Returning to Mr Blackman's question before—which perhaps slightly stunned us, if we had a lot more money could we spend it on even more regeneration—

Andrew Stunell: I do not think my student project could be blamed on anybody except me. I have to say that.

Q383 Chair: But it still took public money to do that. Andrew Stunell: There will be places where it is right and proper to spend money, which is why we have a budget that is £3.94 billion. That is a substantial amount of money. We are not saying at all that regeneration can always be achieved without the input of any public money. Returning to Mr Blackman’s question before—which perhaps slightly stunned us, if we had a lot more money could we spend it on even more regeneration—

Q384 Bob Blackman: I did not say necessarily a lot more. Some more. Andrew Stunell:—the obvious answer to that is yes, of course we could. But we are constrained by the economic circumstances of the day, and the Government has taken a view about how resources should be allocated. The plan for growth that was announced at the Budget sets out very clearly the way ahead, getting jobs, growth and employment going, as an absolutely fundamental part of getting these stuck communities, areas that are now defined by regeneration areas, back on their feet, not just getting their physical environment right, but also getting the social and economic framework in which they exist right as well.

Q385 Steve Rotheram: I know that proceedings are minuted and recorded. So that people do not get the wrong impression if myself and the Minister have a difference of opinion, that is called a debate. But in Liverpool if you have a difference of opinion that is called an argument. I would just like to pick that up. Ministers met many of the people this Committee have met, including Ros Groves. What can you both offer the people who feel let down by your decision to scrap HMR?

Andrew Stunell: We have been as good a place today as it is? I used to live in Rusholme, next door to Moss Side and Hulme, and
these places are in walking distance of town. Collyhurst in Manchester is literally a 10 minute walk into town; it should be a prime location. Guess what? Once you have stripped away a £250 million PFI, which was probably never going to quite end up happening anyway, it turns out there are private sector developers who want to come in and make this thing work in conjunction with Government investment and decent homes.

It is the same in Liverpool. I cannot remember the name of the main road that runs into town, but it is a large regeneration area.

**Steve Rotheram:** Edge Lane.

**Grant Shapps:** Yes. It has really good proximity and is absolutely ideal. I made the point earlier that, when money was flowing as if there was no tomorrow, too much money was spent in situations where it was not required, to the detriment of places where it desperately was required. It was thought that regeneration could only be done through a very large endowment of public cash. A cuually it often turns out to be quite an unsustainable way, so we have to find other ways to do it. I will give you a Liverpool example. There is a football club right in the middle of an HMR area that has not made a decision about whether it should expand or not, and I have been to talk to some of the residents nearby. That decision alone could unlock redevelopment for hundreds of houses over a number of different streets and allow the community to develop. Government has a role in these things, and so does the local leadership of the local authority. It is a very good indication of how you could lead a different path on regeneration by just helping to get some certainty, I am interested and committed, and I intend to go back and help that get that process underway.

**Q386 Chair:** So we are just speculating, if we spent the Torres transfer money on regeneration—but we won’t go into that.

**Grant Shapps:** We will agree to nothing. I think there is a really urgent decision required there, which you have lobbied me about before, Steve. If these decisions are not made that holds back regeneration. In the years of expenditure that we know government has taken place. That is why we have put real money behind it, even in difficult times. We are sometimes having to balance that with other budgets, of course. I almost take offence at somebody who scoffs at the evidence of schemes that have completely stalled for want of what they would call relatively small amounts of money to get the private sector to invest. There is clearly a rebalancing to be done. Is your message to those people that is we are not going to just walk away from their community. Neither of us will be satisfied until the regeneration has taken place. That is why we have put real money behind it, even in difficult times. We are sometimes having to balance that with other budgets, of course. I almost take offence at somebody who scoffs at the evidence of schemes that have completely stalled for want of what they would call relatively small amounts of money to get the private sector to invest. There is clearly a rebalancing to be done.

**Q388 Bob Blackman:** When you come to those schemes that have stalled, as you rightly say, people have been misled into believing they could just carry on indefinitely and often they were just not producing the results. My message to those people is that we are not going to just walk away from their community. Neither of us will be satisfied until the regeneration has taken place. That is why we have put real money behind it, even in difficult times. We are sometimes having to balance that with other budgets, of course. I almost take offence at somebody who scoffs at the evidence of schemes that have completely stalled for want of what they would call relatively small amounts of money to get the private sector to invest. There is clearly a rebalancing to be done.

**Grant Shapps:** When you come to those schemes that have stalled, as you rightly say, people have been misled into believing they could just carry on indefinitely and often they were just not producing the results. My message to those people is that we are not going to just walk away from their community.

**Q388 Bob Blackman:** But clearly there is still an issue. I will come back to this issue and I will keep nagging away until I get an answer on this. You can go to parts of London where they have literally millions of pounds spent over many years, and still they have the highest levels of deprivation in the country. Despite all this public subsidy nothing has changed. Yet we still have the begging bowl out. “Give us more public money.” Are you saying that that will continue, or are you going to take action about it?

**Grant Shapps:** You could say that just not having the money is the action being taken. By the way, I entirely agree with your analysis that there are some very stark examples, which you and I probably know with Brent backgrounds, for example, where we have just not been able to get out of and improve areas despite the amounts of money being spent. The position ultimately has been forced on us. Our determination to stop the country having its credit rating downgraded and worse has meant that this has become an inevitability. I will not be satisfied sleeping at night until we know that people are not living in streets that are half abandoned in communities that are...
not functioning. We have to find ways of making this happen. I have not added up the total number of different ways that that can happen, but as we have heard today, and I know that you will have seen and taken evidence on this, there are all sorts of different ways that the regeneration could take place and it is not the same in every place. Sometimes the New Homes Bonus is ideal; you can borrow, get the land prepared and handed over. Other times that still will not work. Sometimes, coincidentally or otherwise, it is Regional Growth Fund led, or European Development money, or UK Regeneration coming in, or people like that in the future. Sometimes it is a Coal Street regeneration where the community gets together and, I hope increasingly, will use the powers contained within our Localism Bill, for example, the community right to buy.

I will just give you an early insight into this. This is not a launched policy, I have an idea where communities will be able to access further sums of money through a local process that could enable them to regenerate in ways that suit their local authority. I’m afraid you will have to wait for that one, I am not ready to announce yet. But what you are seeing here, through the Localism Bill and through the practice of localising these issues, is you can get a lot more done much more flexibly, much more appropriately for the community that is on the ground, and it will not be one single template solution where you will be much more flexibly, much more appropriately for the community that is on the ground, and it will not be one single template solution where you will be “Pathfindered” with HM R funding in the future. It will be many different paths depending on where you are.

Q389 Bob Blackman: That sounds like good news, but it is going to take time. Clearly the position is the Localism Bill is not through all its passages and there will be time for that to ramp up.

Grant Shapps: It is not dependent on that. Things like the New Homes Bonus are in place. We have already paid out.

Q390 Bob Blackman: The evidence that we have had from our witnesses is that up to 90% of different regeneration schemes have stalled for want of finance. That may be private or public sector finance. Whatever it is, it is finance that is not flowing to these schemes, which is preventing things from happening. Clearly you have set out a stall, there are these various elements of the toolkit that can be provided and used to assist. But obviously the people out there in the wider community are not hearing the message, otherwise these schemes would be up, running and operational. So what are you going to do to turn this round?

Grant Shapps: I will just have a go at this and leave Andrew to finish off. There have always been very high numbers of regeneration schemes that have not been going ahead on the never never. I am thinking of the Collyhurst and the many other PF1 projects, for example, who have been told for years they were on the brink of regeneration. Has it happened? No, funnily enough it has not. I do not have to go to any further than Hatfield, my own town centre, to see a stalled regeneration scheme. We were in the same position of looking for tools to try to lever some investment into the area. So there are no simple answers. I suppose my pitch it, now you know, if you are in one of these areas, that there is no simple top-down solution that is going to come and save the day, get on with finding the solution yourselves by digging into the toolkit plus these other announcements since, and finding the ones that work for you. It might be pulling three together, as in Sefton; it might be one specific scheme; it might be bringing in private sector capital. At least you have now had removed, in some senses, the uncertainty of the never never always being promised on the horizon through Rounds 1, 2, 3, 4, 5, 6, up here, so now you can get on with leading this locally, and there are absolutely a tonne of different ways to do it. I offer this invitation to anyone in that position. If it is a local authority they should contact the HCA or our Department, Ministers directly, just write to us directly. If it is a local person, and this is where the Localism Bill will get really exciting, you will have a whole range of new powers through things like community right to buy, enabling you to get your hands on land and development through community in a way that was never possible before.

Andrew Stunell: I would just say that you have posed a false choice to us really in asking whether it should be the London model, where we are going to somehow carry on giving them money, or, for example, the Burnley model where we are not. That is just not the case at all. In each year of the Comprehensive Spending Review we will still be spending in excess of £3 billion on regeneration related expenditure and projects. We will be doing it in partnership with local authorities, the private sector and local communities in a way that has not been the norm in the past, and when it was not the norm it often meant that the money that was spent was not spent in a way that was appropriate to those local communities. So I think it is absolutely going to be the case that there will be regeneration projects in London and Liverpool that get off the ground and go. We are not going to have a geographical set of criteria that says “It’s going to be spent here, it’s not going to be spent there”. We are going to be looking at what local communities, local councils and those with concerns about regeneration in their areas, how they put in with the toolkit we have got; not just the toolkit we published in January, but the additional levers, the additional tools that Grant has talked about.

Q391 Bob Blackman: But the point I was making, which is very important in this whole process, is unless money is given with outcomes that are built in and delivered, all you are doing is building in a public subsidy for ever. By the sound of it there are no strings attached.

Andrew Stunell: If you look at the Affordable Homes Programme, that is not true. If you look at the New Homes Bonus I suppose you could say it is true, you have got to prove it is spent and show that it is spent, and if you get the new home before you get the bonus, then you can spend the money on whatever is seen as appropriate in that local authority or local community area. If it is about monitoring and evaluation, there are criteria there that the Homes and Communities Agency may well have spoken to you
about the earlier evidence in terms of the index of multiple deprivation and so on. There will be an external system that allows measurement and monitoring, but it is not going to be delivered, or that will not be a criterion that is directed, by the Department.

**Q392 Mark Pawsey:** One of the consistent messages we have heard from witnesses is the need for a longer time horizon in terms of regeneration. Do you believe that the landscape has changed in the regeneration industry and the private sector, and that there will not be any return to the good old days? Or do you think this figure of 90% of regeneration that has stalled is simply because people are waiting for the electoral cycle to swing back and to go back to where we were before? Is this a radical one off change or will we return to where we were?

**Grant Shapps:** First of all, I do want to challenge the 90% figure, not that it may not be the case that 90% of regeneration is delayed—my own town centre is delayed—but that it always has been. The fact of the matter is that an awful lot of projects have been delayed for an awful long time. Many of the ones that have been delayed are the ones who were most holding out hope that eventually they would get funded and actually created the delay itself sometimes through that hope value that I was talking about earlier on. So at least people know where they are. Of course people will say, "This is good policy but do not do it yet." I have never heard a Government policy or any reduction in spending that we have had to make where somebody has not said, "But don't you realise, Ministers, spend it today and you will save tomorrow." This is something that we all hear an awful lot, and at some point, to stop the country from going bust, you have to realise you cannot buy that argument at every turn; there will have to a point at which we say we need to stop spending it today. We have taken our choice as a Government, which happens to be a coalition of two of the parties. But just for reference for the Committee, the opposition had also taken that choice, and Ed Miliband very clearly told Andy Marr before the election that regeneration spending would be one of the things taking the brunt.

**Q393 Mark Pawsey:** So you think there is a permanent change of the general landscape?

**Grant Shapps:** Yes, that is right. Going back to what I was saying in my opening comments, when you have a situation and you set up a top-down process to resolve these things, what you end up with is a body like Regeneration Pennine Lancashire, which spent £3.5 million administering itself. I went there and saw the offices and the cars. I saw the lead officer for this, that and the other. I do not think it was great value for money. The same goes for Transform South Yorkshire and Birmingham, each spending 7% of the money we poured into regeneration, in very big sums on their own bureaucracy and administration. This is not a great return on public sector money, and I do not want us to go back to those particular days, all those top-down schemes, even if, as in Bob Blackman’s world, we had the money. It would not work. I think we have set out a far more rational, locally based and owned approach to regeneration. Of course I would love to have more money.

**Q394 Chair:** We might not quite recognise in South Yorkshire that description, because 27% includes things like fees and other costs.

**Grant Shapps:** Staff costs, office accommodation, publicity, IT services are all things which exist within a local authority structure, and so the need to replicate these things was always quite dubious.

**Chair:** It is not additional. We can go into that later. I think it is about having an analysis of what worked, isn't it? And if it actually worked in transforming communities, and I think some of that money did in South Yorkshire, then perhaps it is worthwhile. Anyway, let's move on.

**Q395 James Morris:** I have a question about two things in the toolbox that you have been describing. The Chancellor announced Enterprise Zones. We have got mixed evidence from people who have been to the Committee and historically about the function of Enterprise Zones. Do you think there is a danger that Enterprise Zones could suck out jobs and investment from other areas? I am thinking of the Black Country area that I represent again; there is the potential of an Enterprise Zone, but where do you locate it most efficiently such that it helps to regenerate and drive growth across the whole of the Black Country area rather than one specific area? How do we avoid that?

**Grant Shapps:** The second thing is about TIF; there has been a lot of discussion about TIF over the last few years, and a lot of local authorities are waiting to be able to go ahead with TIF schemes. When do you expect the first TIF scheme to actually come on stream?

**Q396 Chair:** First of all on Enterprise Zones, I read Lord Heseltine’s evidence to you with some interest because I think he partly accepted the point; he didn't think the Enterprise Zones would suck in from around the sides. But I think he said something like, if it does, that may not be a bad thing. I assume he meant that you create a centre of enterprise or skills, and as you see in Silicon Valley or the Old Street roundabouts, sometimes when you get people congregating around a particular area and it actually makes business more dynamic and growth easier. So I suppose that is what he was driving at there. But overall I think we have to be careful to learn the lessons of history with things like Enterprise Zones. We are keen to make the entire country as enterprising as possible.

I know my area will not be in an Enterprise Zone, but I do not think that people in my bit of Hertfordshire are walking round feeling as if we have been done. Actually we think it is our job to get on with making it an attractive place to do business. And one of the great things about reforming business rates and the way that that operates, and allowing those to be kept locally, means that my authority outside of an Enterprise Zone will therefore have a strong incentive to be enterprising and to set a course of trying to attract business to the area because it will be the way to help increase the funding for the area under this future scheme. So I think the balance is about right on the Enterprise Zone front; I think it will be a big boost to
areas that may struggle, but not a massive disadvantage to others who will have other policies coming down the line.

And you asked about the timing of the financing.

Q 396 James Morris: Some of our witnesses are a bit concerned that TIF has been lost a little bit in your Resource Review, and that we will have to wait for legislation and the outcome of that review, whereas they have actually got schemes that they think they could get underway now. I am wondering when you see the first schemes being able to be operational for TIF.

Andrew Stunell: I can add a little bit of information in that, in a speech to the Local Government Association last week, the Deputy Prime Minister again confirmed the Government’s intention to press ahead with this and set out a view about the legislation that would be needed to implement it. It may be sensible for us to write to the Committee with whatever detail lies behind that.

Q 397 Chair: I think it’s fair to say that much of the private sector evidence we have had has been slightly less optimistic than you have been this afternoon about the current state of regeneration in this country. One thing that they would argue is that the public sector could probably do more in terms of use of land.

I know the Government is keen to make sure that where land is not needed for other purposes it is made available for partnership and other schemes. When we talked to the HCA Chief Executive earlier, it was not clear to me that they had the degree of freedom they might have, say, to put land into projects like joint ventures and take a risk; not have the money handed over at the highest price the Government can extract for it, but actually say, “Okay, if the scheme works we will get a share of the increase in value of the land, which comes about because of the scheme being developed.”

Grant Shapps: I would just like to put a bit of meat on the bones of this idea. You are absolutely right that we are really keen to see Government land developed. Bluntly, it is of little use to us as unused, underdeveloped brownfield or whatever it happens to be at the moment. And the Treasury is not getting any money for that, so we actually advantage everybody by getting economic growth going, a receipt for the land and so on. By the way, the Treasury, and Downing Street in particular, are very much signed up to this, so much so that you may not be aware, but on the day I launched this drive to get other Government Departments involved, Number 10 actually wrote to all the Government Departments asking them to bring forward their Government land and, furthermore, setting up what you might describe as a star chamber, that Francis Maude, the Cabinet Office and I will sit on, that will have the various Departments in front of us to challenge them over how that process is going, and we intend to do this in the autumn. So this is a process that has the full weight of 10 and 11 Downing Street, where we are intending to follow through. This is not just an announcement that is out there and everyone will go off and forget it. In fact we will have the Departments showing us the land.

To make this whole thing work, I recognise that maximum flexibility is required. I am going to be very clear with the Homes and Communities Agency that they should take a strategic business view on this, and understand that their goal is to enable development, not to stop it. It is in the interest of the Growth Review that we published at the time of the Budget to make this stuff happen. So we will certainly have them go full tilt for it.

The last thing I would say is I think the Build Now, Pay Later has enormous possibilities. We have already released some land on Build Now, Pay Later. If you just think about the principle that goes to the heart of your question behind Build Now, Pay Later, what it means is that you are able to release the land, a developer is able to get the work done without having to worry about the cash flow aspects of having paid for that land, develop it out, and only then pay for that piece of land. So this is a win, win. Developers get to do it quicker because they do not have to raise the finance up front or stretch their resources up front. The Treasury wins because this is a piece of land that otherwise was not going to get developed but, this way, in a year/18 months/two years does get developed and they get a receipt for. And we all win, if it is housing for example, by having more homes or more businesses or whatever goes on there.

Q 398 Chair: Just to be precise, the pay later idea could involve a proposal where the pay later was not simply an agreed price at the beginning, but depended on the up-rated value, and a share in that.

Grant Shapps: We are looking for really innovative ideas that stack up and that we believe can work. By the way, I want to see that not just going to the major developers but being spread to smaller players as well. I am very keen to see that happen, absolutely.

Q 399 Chair: The other question we were pushing on is about the RDA assets, why they could not be used in that way. It seems that London has had the whole lot transferred over free, grabs, to the Mayor. In the rest of the country local authorities will have to go round trying to raise the money to buy them. Could we not be looking at these sort of approaches for RDA assets as well?

Grant Shapps: I thought this was more your area? Chair: Just say yes.

Grant Shapps: There is further work being done. This is obviously a complicated picture because RDA assets, remember, were made up of lots of different inheritances from different places. So there is further work going on as to exactly how that can be transferred. But again, the Government’s intention is absolutely clear. Everything we are doing is about the growth agenda. We are trying to get this country building again. We understand that construction is a very important part of GDP and that this can bring in capital receipts, and we are working on the way that that transfer works. Now I know Andrew is desperate to get in.

Andrew Stunell: We have not dropped the ball so far, sorry about that. It is also worth spotting that not everything that the RDA holds are assets. Some are liabilities, and they have a lot of contingent
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...
success of the programme. Also I can tell you in quarter 1 there is a 22% increase in housing starts.

Q406 Simon Danczuk: Just on the New Homes Bonus, you are counting that as part of the £3.84 billion in terms of the regeneration spend, but the reality is in future years that is being top-sliced off local authorities anyway, isn’t it? And the other point is that some would see it as a case of stuffing money into the back pockets of local authorities in wealthy areas. Not all that money will go to regeneration areas, will it?

Grant Shapps: I think that is—
Andrew Stunell: We are both going for the same ball here.
Grant Shapps: I know. You go first, go on.
Andrew Stunell: First of all, the amount that appears in Annex B relates to the money in authorities with regeneration areas.

Q407 Simon Danczuk: Not all local authority areas?
Andrew Stunell: Yes.

Q408 Simon Danczuk: All local authority areas?
Andrew Stunell: Let me just be quite clear. I might need to take a second glance at that to be sure I am not misleading the Committee. But certainly the intention there is to set out the money that is available for regeneration areas, or for local authorities with regeneration within their areas. So from that point of view there is no intention to downplay the need for investment that includes the New Homes Bonus. I think that was the point.

Grant Shapps: The 199 is actually the entire package. You are right, Simon.

Q409 Simon Danczuk: You are including this £4 billion in regeneration spend. But the reality is that some of it is, to coin a phrase, stuffed in the pockets of local authorities in wealthy areas that do not need regeneration.

Grant Shapps: Let me clarify this. Part of that is right; let me explain. First of all, you are right that the 199 is the entire New Homes Bonus, you are right about that. I just wanted to mention and therefore explain that there is a case and always has been for all the regeneration expenditure, so if you compare it with previous years, the Decent Homes Programme, for example, would have been classed as a regeneration programme. There are many different programmes that you could class as regeneration, some of which will be in regeneration areas and some will not.

Q410 Simon Danczuk: But there is a dramatic difference, because the Decent Homes Programme was spent on council estates repairing kitchens, sinks, baths and stuff like that. But some of the New Homes Bonus will be spent by a local authority on a whole range of things.

Grant Shapps: I accept that. Again, let me take another example, groundwork money is sometimes spent in regeneration areas, it sometimes is not, but it has always been included in the figures. All I am trying to say is actually defining regeneration proves to be quite tricky because some things are included and some things are not. But you have the tables, so you can come to your own conclusions. I do accept your point there, but you would accept that other columns, some of which will be going into regeneration, some would not, have already been included in here.

The other thing is when you look at the second half of Annex B, on the subtotal for the spending across the Spending Review period, you will notice, for example, we have not included any further regeneration New Homes Bonus spending at all in that figure. So you could take the first figure to be an overestimate and the second one to be an under. It just goes to show how difficult it is to narrow some of this down.

Coming back to your other point, your accusation was that this is stuffing money into wealthy areas. Some people would have said that, in the past, wealthy areas do not want to build homes. Now we have got a policy that you are saying is going to encourage people to build homes in areas where actually they are not always wealthy at all, they just happen to be areas who are ambitious about building homes. I do not think we can have it this both ways. If areas are prepared to accept and build homes that is great, that is what the New Homes Bonus is for. I just want to correct something. We have paid out a couple of hundred million on the New Homes Bonus so far. Over the Spending Review period nearly a billion is being put into that programme. We haven’t anywhere near come to the end of the money that is not top-sliced. You said next year it will be top-sliced. That is not the case at all, we have only spent a fifth of what will not be top-sliced.

Q411 George Hollingbery: I am becoming very boring on the Committee about community budgets and about the spend across Government Departments and the key to making any regeneration. It does strike me that an awful lot of the money you are talking about spending in the future is leveraged, TIF, by definition, is leveraged tax. We have got leveraged tax in the Enterprise Zones. The New Homes Bonus is being leveraged in Liverpool to borrow against. Still, 80% of market rents is housing benefit being leveraged. It seems to me there is another huge pot of money in local communities that is not considered to be leveraged, and that is in many other spending Departments like Health and so on. I also contend that there are two strands to regeneration in this instance. There is a very clear physical regeneration, like we saw in Hulme. There were horrendous buildings that needed to be taken down before you could do anything. Leveraging the spending could really help there, but at the same time would give those Departments a buy into the long-term regeneration of these areas, which must be keyed on all those Departments working together across Government in those local areas. Can you achieve that? Can the Department of Communities and Local Government truly achieve de-siloing across Government? Because without it I cannot see regeneration working. Do you have the clout as a Department to make that happen?

Grant Shapps: The simple answer is no Department can make it happen on their own, but we have some
really great Pathfinder type programmes on community budgets, place based budgets as they were called in the past. These are just an idea whose time has come, and we absolutely must deliver on it. It is crazy to have so many completely unlinked funding streams, often not appreciating that the other one is there. I do not have the information today I’m afraid to give you the update off the top of my head, but I do know that we are well progressed with a whole range of pilot schemes with details that I can probably forward the Committee, if that is helpful. 

Andrew Stunell: There are 16 pilots that are specifically in action at the moment, and we recently announced at last week’s Local Government Conference that we would be recruiting another 50 or 60 for next year, with a view to expanding that as quickly as we can. But to answer Mr Hollingbery’s point, we certainly recognise that there is a long way to go, and it will require a huge cooperative effort across Whitehall to deliver it as effectively as we believe it should be. I do not think it is a secret that there is a silo mentality in policy delivery terms in central Government. And I think, Chairman, you were perhaps acknowledging that with your eyebrows. So getting past that is a really significant challenge, but there is real energy behind it both inside the Department and across Departments to make sure that we can deliver, initially with quite a small number of local authorities and quite a confined set of policy areas, but very quickly we need to get that to be looking holistically at neighbourhoods and all the public funding going to specific neighbourhoods.

Q412 Chair: I think we understand you have to leave.

Grant Shapps: Yes, I do. But there is no point in my writing on that point now; that is what I wanted to find out, the numbers for you.

Q413 Chair: I think it would be helpful if you could particularly respond to the points that Manchester put to us when we were there about pooled budgets for housing, transport and skills. It was actually the private sector representatives who were with us in the room who said “We think we would get a much better deal if that was a pooled budget we could spend locally talking to our local councillors about rather than with different Government Departments spending separately in Whitehall.”

Grant Shapps: I would be really keen to do that. I have to say, just as a general message, a bit like that day at Prime Minister’s Questions, where an MP stood up and said the situation is x because a PFI project to do with regeneration had not gone ahead, it was not until we actually went up there and talked to people and really understood the issues that we got a full understanding. So I would appeal to anybody who thinks they have got a particular issue to approach us. We are very accessible to the idea of trying to remove any blockages. One of the things that comes into this category is the barrier busting that we are keen to do. Again, community budgets often is a barrier, an imaginary silo based department barrier, that could be actually very real, but it should not be, it should be imaginary and could be busted, and we are very keen to do that.

Chair: And if you could let us have a note about the Manchester proposals that would be very helpful indeed. Thank you both very much indeed for spending so much time with us this afternoon, we really appreciate it.
Written evidence

Written evidence submitted by Urban Pollinators

Summary

— The questions posed by the select committee are important, but more fundamental ones should be asked in order to think clearly about the future of regeneration.
— A recent Scottish Government discussion paper goes much further than the UK Government in recognising that old models are no longer appropriate.
— The Scottish Government, unlike the UK Government, also defines regeneration and why it is needed. Without doing this any regeneration policy will flounder.
— The UK Government should clearly identify the beneficiaries of regeneration, what benefits are envisaged, and how they will be achieved.
— There has been much debate about whether people-based or placed-based interventions are more likely to address deprivation. Both are needed.
— A locally-based approach to regeneration needs to build local capacity to respond to external pressures in hard times as well as opportunities in prosperous times.
— An independent national body is required to share learning, collect and disseminate evidence and critique policy. Such a body should be funded with an endowment to free it from political interference.
— Current approaches to town and city centre revitalisation are based on an outdated model. Strategies that rely on rising land values will only work where the market is strong and demand is high. Town centres need to reinvent themselves as social centres meeting a wealth of needs for their local populations.
— Six key lessons should be learned to inform future approaches. These are outlined in paragraphs 5.1 to 5.6.
— Economic development requires extra public support where the market has not provided solutions. Local authorities should be lead investors in their communities.
— The key question to ask of future regeneration programmes is whether they will build local people's confidence and capacity.
— That question cannot be answered without addressing three challenges: the impacts of climate change; the persistence of worklessness; and the reconnection of place with wealth creation.

1. Introduction— defining the issue and the value of context

1.1 Following the publication of the Department of Communities and Local Government’s paper, Regeneration to Enable Growth, the CLG select committee has posed five important questions.
1.2 This submission seeks to answer those questions, based on my experience over 12 years as editorial director of the regeneration magazine, New Start, and as a consultant and trainer working on placemaking and sustainable communities. It suggests we should pose some additional and more fundamental questions if regeneration is to succeed in the future.
1.3 To set the scene, it is instructive to compare the DCLG approach with the discussion initiated last month by the Scottish Government through its paper, Building a Sustainable Future.
1.4 The Scottish Government begins by defining the issue. It states that “regeneration is the holistic process of reversing the economic, social and physical decline of places where market forces alone will not suffice”. This encapsulates the view, based on evidence and experience, that regeneration entails a systemic approach to complex problems; that it is required because a market economy leaves unsolved problems for which there is no commercial solution; and that it requires a combination of place— and people-based interventions.
1.5 Third, it recognises that we cannot do regeneration— particularly the physical development of towns and cities— as we have done in the past. It points out: “The economic crisis has meant that many traditional models of regeneration are now fractured. Development activity fuelled by rising land and property prices, funded via debt finance has been shown to be unsustainable.”
1.6 By contrast, the DCLG publication fails to define regeneration, does not invite debate and lacks analysis of what has worked and what hasn’t. It offers unevidenced assertions linking economic growth, housing development, localism and community regeneration with no reference to the knowledge garnered in the past,

and no articulation of how circumstances have changed and what that means. Indeed, its emphasis on incentives for new housing and finance for infrastructure suggests DCLG is wedded to precisely the model of development linked to rising land values that the Scottish Government believes has failed.

1.7 On the positive side, DCLG’s belief that local residents should determine regeneration priorities is sound. But we still need to know why some places have failed, and what kinds of intervention will support locally-led approaches. DCLG appears to have no view on this. Without understanding the causes of decline, we can only hope to create sticking plasters for the symptoms. And a belief that the markets will regenerate the places the markets have left behind flies in the face of both logic and evidence.

1.8 DCLG argues that “a new approach is needed to ensure that local economies prosper, parts of the country previously over-reliant on public funding see a resurgence in private sector enterprise and employment, and that everyone gets to share in the resulting growth”. But as the Scottish Government notes, economic turbulence drives a “flight to quality” rather than extra investment in marginal markets.

1.9 A new approach must recognise why and how things need to change. In part that is because development-led models no longer work as they did; but there is more to regeneration than addressing market failure. That implies a deficit model of people and place. An asset based approach is needed that balances an awareness of the impacts of market forces with a recognition of the value of local people and their potential.

2. How effective is the Government’s approach to regeneration likely to be? What benefits is it likely to bring?

2.1 To answer this question we should identify who the purported benefits are for; what they are; and how to achieve them.

2.2 To specify who should benefit, we need to identify where regeneration is needed. This is not difficult: the 2010 Indices of Multiple Deprivation will show which areas suffer most in terms of ill health, poor housing, worklessness, crime and poor education and skills. Comparison with previous indices provides a fine-grained picture of the persistence of these problems in particular places. However, it is unclear whether the Government plans to focus on the most deprived areas.

2.3 The benefits should be a reversal of the problems that together we call deprivation. But regeneration experts get sucked into unproductive debates about whether people-based or place-based interventions are more likely to address these challenges. The issue can be summarised in the title of a 2008 Joseph Rowntree Foundation report: “not knowing what works”. The difficulty can be described as a problem of dispersal on the one hand and displacement on the other. Interventions focusing solely on improving individuals’ life chances may help some to change their circumstances, but in doing so they may choose to move; while interventions focusing solely on place may improve the prospects of a neighbourhood by displacing some of the people with the lowest incomes or most intractable problems.

2.4 To maximise the benefits for the most disadvantaged places and people, we need to invest in education and opportunities that link people to labour markets and encourage enterprise and transferable skills, and in actions that improve quality of life and quality of place for all, whether or not they are in work. We need to do this because poverty is concentrated among those at the margins of the labour market and we can safely predict that around 30% of working age people may be outside the workforce at any given time (see paragraph 8.3.2).

2.5 This requires a wide range of complementary activities. At the heart of localism must be a concern to get the ordinary things of life consistently right in our poorest places. Such a view may be implicit in the UK Government’s approach, but it would help if it were explicit. The disproportionate cuts to local government finance over the next few years will make this much more difficult, and potentially more expensive, to achieve.

2.6 But localism also needs to be informed by the knowledge that localities are subject to forces and trends that operate at national and global levels, such as demographic change or the cost and availability of energy. A locally-based approach to regeneration needs to build capacity to respond to these pressures. We will be able to tell if regeneration is working in future not by a place’s ability to rise in prosperous times, but by its capacity to survive and rethinks in hard times.

3. How do we build on previous progress and ensure learning is not lost?

3.1 The evidence of what has worked is mixed. However, there is a broad consensus that provincial city centres have improved their public realm and cultural offer; that neighbourhood renewal made significant strides in the first phase of the Blair administration; that the quality of social housing improved; and that the living standards of the poorest increased in real terms (though not in comparison with the best-off).

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3.2 Looking back, the landmark moments in regeneration were the publication of the Urban Task Force report\(^6\) and the National Strategy for Neighbourhood Renewal\(^7\) and the actions that flowed from them. The Egan Review of skills for sustainable communities\(^8\) reinforced learning amassed through previous programmes.

3.3 But the approach to learning the lessons was half-hearted, and has now run into the sand. The Regional Centres of Excellence advocated by the Urban Task Force took inordinately long to establish and were removed prematurely. While bodies such as the Commission for Architecture and the Built Environment (CABE) and the Academy for Sustainable Communities produced high quality material on placemaking, their influence on government was limited.

3.4 While the previous government’s record was disappointing, the coalition’s approach seems to have bypassed the value of learning altogether. There is no acknowledgement within the DLCG paper of the complexity of regeneration and the importance of a holistic understanding of place; the withdrawal of support for CABE and diminishing of the Homes and Communities Agency, coupled with the squeeze on higher education and on local government, risks creating a generation of local practitioners with greater responsibility but much less knowledge.

3.5 So there is a strong case for an independent body to curate, disseminate and critique the learning of the past decades and the next phase in the story of regeneration. To ensure continuity and independence, it should be established with an endowment fund (rather like the UnLtd foundation for social entrepreneurs\(^9\)). Such a body should host a national archive of regeneration practice, research and case studies; fund and disseminate new and user-friendly material accessible to professionals and the public; and run workshops and courses for those new to regeneration or wishing to improve their skills. This body should take over the skills development function of the HCA, recognising that regeneration skills extend far beyond the HCA’s remit.

4. How do we ensure sufficient public funds are available for major town and city centre regeneration projects as well as more local projects?

4.1 Before we ask how we continue to fund major town and city centre regeneration projects, it is worth asking whether we should keep doing so, and if so where and to what ends.

4.2 The DLCG paper suggests funding will be obtained locally through incentives such as the new homes bonus and mechanisms such as tax increment financing. Both these approaches rely on land value uplift to encourage speculative development, and draw down some of the proceeds for the local area. In other words, they work well where the property market is buoyant and less well, if at all, where it is stagnant.

4.3 The revitalisation projects of the last decade have sought to gain competitive advantage for regional centres by improving the public realm, offering cultural and community facilities, and creating desirable destinations. Progress has been measured in increased rental values and shopping centre footfall. But it has been dependent on a booming economy and underpinned by heavy public investment. Neither of these factors still hold good.

4.4 The UK economy is stagnant. Costs of essentials are increasing while consumer spending power is likely to fall. The money consumers do spend will be spent differently as online markets grow. Capital values are unlikely to recover in the short term and rental values risk continuing decline\(^10\). This suggests we need new and user-friendly material accessible to professionals and the public; and run workshops and courses for those new to regeneration or wishing to improve their skills. This body should take over the skills development function of the HCA, recognising that regeneration skills extend far beyond the HCA’s remit.

5. What lessons should be learned to apply to the Government’s new approach?

5.1 Perhaps the most important lesson is that we must keep learning, and to do that we need to collect, record, store and share the stories, research findings, policy developments and experiences of regeneration. That will not happen by itself (see paragraph 3.5).

5.2 The second lesson is the importance of clarity. Regeneration has for too long been a catch-all term. Clarity is not the same as imposition or top-down direction; it is a recognition that some things have

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\(^9\) See http://www.unltd.org.uk
\(^11\) See Seven Steps from Ghost Town to Host Town: http://urbanpollinators.co.uk/?p=415
regenerative effects while others may simply be commercial activities. We should only subsidise activities that
directly improve the lives of the poorest or the quality of disadvantaged places.

5.3 The third is to recognise the function of markets. One of the greatest failures of the last decade has been
the unwillingness to acknowledge that the market forces that create prosperity and opportunity also bring
decline and deprivation.

5.4 Fourth is that regeneration can only happen if we build community. It is by supporting community
networks, building skills and facilitating aspiration that we will create the conditions that create resilient and
resourceful places. Without this, place-based interventions are cosmetic.

5.5 Fifth is that the most important assets are the ones we already have. This is true for the built environment,
where we bulldoze history and character at our peril; it is also true for the assets that exist in people and
networks and relationships, from the imam to the pub landlord, from the public servant to the local councillor.
Too often those assets are undervalued.

5.6 The sixth lesson is that regeneration is a continuous and repeating process. It is something we do in
response to challenge and change, and some places will always struggle more than others to benefit from
change.

6. How should the Government attract money into regeneration schemes?

6.1 We should start by asking what each scheme is intended to achieve. Is it shoring up a failing market,
creating a market where there was none, or providing basic amenities and services where the market can’t or
won’t offer them?

6.2 Economic development in regeneration areas is likely to require deeper and more sustained support from
the public purse because these are areas where the market has failed to provide solutions. However, this is not
an argument for unlimited subsidy. Rather, public support should be given at least in part in the form of risk
capital to be used to provide services, infrastructure and cashflow support to local and community-based
enterprises. These need to be long term, sustained interventions that create the confidence that things are
changing.

6.3 The idea of place-based budgeting should be pursued, allowing the pooling of public funds to meet
common objectives (for example, health funds could support the provision and maintenance of parks and open
spaces and gym facilities in areas with a high degree of obesity-related illness).

6.4 We should avoid using public money to underpin false expectations. Not every town can rebuild its
shopping centre. New infrastructure and big-ticket facilities are not justified simply because neighbouring
localities have them. Sometimes the best thing public agencies can do is to say no. In a localist era, it is
important to have sufficient checks to avoid money being wasted on vanity projects.

6.5 Attracting private money is also fraught with pitfalls. Financiers may have little commitment to an area
and be happy to leave sites mothballed for years in the hope that values will improve. Large swathes of English
town centres are owned by pension funds and absentee landlords with little apparent interest in creating thriving
places. Such “investments” can do more harm than good.

6.6 In such circumstances there should be a primary emphasis on creating sustainable community
infrastructure, owned and managed by local people. Government proposals to grant a community right to buy
via the Localism Bill should be extended to allow local people to identify and take over premises neglected
by commercial businesses. This will require time, financial support and skills development. But a town or
neighbourhood with a high level of community owned infrastructure is likely to prove a surer investment for
private finance than one characterised by blight and neglect.

6.7 The local authority has an important role to play here as a lead investor. Not only can it create
regenerative effects through the intelligent use of procurement, but it can also act as a gilt-edged investor,
underpinning joint venture companies and local asset-backed vehicles. To enable this to achieve the maximum
impact, though, local authorities in the poorest parts of the country will need to be recapitalised via central
government. Land value taxation may be one way to achieve this.

7. How should the success of the Government’s approach be assessed in future?

7.1 The key to a successful place isn’t income: it’s confidence. Increasing the income of the poorest is an
essential part of regeneration, but on its own it may simply provide an escape route. Confidence is what enables
someone to open a shop, buy a house or use the local park. As one resident interviewed for the evaluation of
the guide neighbourhoods programme12 put it: “There is a lot of jargon about regeneration... but really, as a
resident, there is only one question. Is this an area I want my children to grow up in?”

Department of Communities and Local Government.
7.2 So the questions I would ask of physical interventions are: do they create places that are lively, where people want to be, with a good mix of activities, and well designed facilities using high quality, lasting materials?

7.3 Do social interventions improve the quality of life for the worst-off, not just their incomes? Do they generate transferable skills and aptitudes that are as useful in a community setting as in the labour market? Do they build social connections and networks that allow people to find support in a crisis and give them the courage to seize opportunities?

7.4 Do economic interventions create resilience, not just growth? Is investment helping to create new products and routes to market? Does it provide opportunities for low-skilled as well as high-skilled jobs, and lower the hurdles to employment and advancement?

7.5 Overall, we should ask whether regeneration creates communities where people feel at home, welcome, connected and confident; places where people are productive, skilled, and coping; towns and cities that are well designed, built to last, animated and active; and that have a high degree of participation in governance, self-sufficiency, and mutual support.

7.6 This is a framework for thinking rather than a set of performance indicators. For a more formal approach, we could do a lot worse than adapt the Freiburg Declaration on Sustainable Urbanism. 13

8. Three hard questions we should also ask

8.1 There are three urgent challenges for public policy: how to live within environmental limits, how to create meaningful life chances for a generation that won’t have its predecessors’ access to cheap credit or affordable housing, and how to manage in a much harsher economic and public funding climate. The task can be summed up as creating resilience: environmental, social and economic.

8.2 Should we stop relying on growth?

8.2.1 The first question, which challenges the assumptions underpinning the approach of successive governments, is whether continuous growth is a realistic and valid objective in a world facing unprecedented environmental challenges.

8.2.2 The financial markets fell because the assets against which loans were secured proved worthless. At the same time the world has borrowed against environmental assets at an unsustainable level. The effect, ultimately, could be the same: the asset cannot cover the activity secured against it.

8.2.3 How will this affect regeneration? The areas most vulnerable to economic shocks will be among those most vulnerable to the impacts of climate change: higher prices for commodities, shortages of energy, food or water, increasing costs of transport. So sustainability must be paramount in regeneration strategies, not just in terms of green technologies or energy efficiency, but through local sourcing of life’s essentials wherever possible, and the creation of self-help networks that enable communities to withstand the unexpected.

8.3 Are the poor always with us?

8.3.1 The idea that we should live with continued poverty is, quite rightly, regarded as offensive. Yet poverty persists. The previous government’s regeneration framework 14 declared that mass unemployment and youth unemployment had been “conquered” but recognised that worklessness had persisted in deprived communities. On its own analysis, the most significant difference between deprived areas and the rest had not changed.

8.3.2 There is nothing new about this. A study by the Office for National Statistics in 2003 15 found that the employment rate for 15-64-year-olds in 2000 was remarkably similar to that in 1902: 71% compared with 69%. For a century or more between a fifth and a third of working age people have been outside the labour market.

8.3.3 It’s time to recognise this reality and rework the social contract in a way that values the time and contribution to society of those who are not working. Just as those in work pay a percentage of their income to the Exchequer, so those who cannot find a job should contribute a proportion of their time to the common good. In return, they should expect a level of state support that meets life’s needs and rises with the cost of living. This would help to create a pool of community workers and carers who could begin to realise the ambition of a “big society”.

8.4 Are some places beyond regeneration?

8.4.1 The third hard question is already being asked in parts of the US, where cities like Flint and Detroit have seen large-scale abandonment. UK towns are, for the most part, a long way from that position. Yet the logic of a localism that ignores market failures and seeks to pick winners may

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8.4.2 There is an alternative to cutting the losers adrift. But it requires reconnecting places with wealth creation—with locally based activities and industries that reinvest in the locality, rather than fleetfooted multinationals with no lasting commitment. Most places, given long term support, can create a viable and flourishing future for themselves, but it may be on a more modest scale than in the past.

9. Ruskin famously said there is no wealth but life. The failure of early 21st century regeneration programmes has been to consider that wealth exists in everything else: property, finance, careers, consumption, measurements of economic success. We now have a chance to redress the balance.

March 2011

Written evidence submitted by the Institute of Economic Development

Summary

Whilst reduced spending on regeneration is inevitable within the context of public sector budget cuts, the expectation that the private sector might fill the void is believed to be high risk, particularly given that its activities may deliver economic and social outcomes that do not accord with the government priorities.

IED believes much more needs to be done, both to facilitate private sector involvement in regeneration and to undertake regenerative activities where it is inappropriate for the private sector to take the lead given the nature of the economic and/or social outcomes being pursued.

How effective is the Government’s approach to regeneration likely to be?

— Reforming and decentralising public services—this is considered an interesting proposition, but without accompanying resources, the theory may struggle to translate into effective practice.

— Incentives for growth—key questions need to be answered about the mechanisms through which resources generated by development will be channeled and the uses to which such resources can be put. There is also potential to explore additional financing mechanisms to those currently proposed and to use RDA assets (or at least the income they generate) to benefit areas in need of regeneration. IED contends that LEPs are “political” creatures and are not based on any assessment of economic functionality.

— Removing barriers that hinder local ambitions—the Government appears to be placing a great deal of store on the ability of relaxed planning rules supporting growth. Whilst this has its place, it does appear to be a rather narrow approach. In addition, IED has some concerns about the more recent announcement of the designation of Enterprise Zones, with evidence in respect of those created in the 1980s suggesting that there are more cost-effective and sustainable solutions to local regeneration needs and opportunities.

— Targeted investment—we believe there is over-emphasis on prospective benefits from investment in Crossrail and High Speed 2, which will not accrue to large parts of the UK. Naturally, the Regional Growth Fund, and investment in adult skills are most welcome, but there are concerns about the ability of Regional Growth Fund to facilitate a surge in private sector enterprise when the overall resources for enterprise development have been reduced and the support infrastructure has been dismantled.

What benefits is this approach likely to bring?

— There has been no assessment of what sort of regeneration is needed, where it is needed and how it might best be delivered. Regeneration defined in terms of rail infrastructure, housing and Olympic legacies leaves large parts of the country untouched and ignores most of the elements of community-based regeneration undertaken by successive governments over the past 30 years or more.

— Budget cuts in respect of regeneration and economic development are resulting in staffing levels being cut, activities being restricted and, in some cases, regeneration/economic development functions ceasing altogether.

What lessons should be learnt from past/existing regeneration projects?

— Area-based regeneration has been a feature of government policy over the past 30 years or so. IED urges the Government to review previous examples and introduce a new area-based regeneration programme that complements and adds value to the types of physical developments that have been proposed.

— There is a need for absolute certainty in planning policy, very clear statements concerning additional developer contributions required, well enforced development timetables and overage agreements with commercial developers where the public sector has a land interest.
What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

— Governments cannot (and probably should not) seek to remove risk, but can help private sector investors to establish the extent of risk and provide clarity in respect of investment processes and timescales.

— There may be a unique opportunity to devise a financial instrument that attracts finance from individuals for investment in regeneration projects, with the offer of competitive rates of return and with the Government as guarantor rather than principal provider of resources for particular regeneration schemes.

— At community level, consideration ought to be given to encouraging Credit Unions and other such bodies to become involved in the financing of local regeneration projects.

How should the success of the Government’s approach be assessed in future?

Success will be determined by the extent to which communities are vibrant and sustainable without the need for ongoing public sector support.

1. Introduction

1.1 The Institute of Economic Development (IED) is the leading professional body for economic development and regeneration practitioners in the UK. Members include those working in government departments, non-departmental government bodies, local authorities, universities and a variety of private companies. IED has no political affiliations and seeks to engage positively with a range of partners in order to promote the interests of its members, of the economic development/regeneration profession more widely and, crucially, of the communities and business interests the profession serves.

1.2 This submission is made in response to the Government publication “Regeneration to enable growth: What Government is doing in support of community led-regeneration”. IED welcomes the acknowledgement in the document of the importance of regeneration/economic development in reviving communities and helping to make them successful and sustainable.

1.3 We recognise the need for new approaches to regeneration that require fewer public sector resources and which make more effective use of those resources. However, we believe that a re-balancing of some local economies from public sector to private sector activity and ensuring that all communities share in the benefits of economic growth will require facilitation/ intervention to an extent that does not appear to have been provided for.

1.4 The submission draws on the considerable experience of IED members in a wide variety of activities relating to community-led regeneration and other community-focused regeneration. Each of the questions to be considered by the Select Committee is dealt with in turn.

2. How effective is the Government’s approach to regeneration likely to be?

Reforming and decentralising public services

2.1 Reforming and decentralising appears to be all about empowering local areas to do things their way. However, without accompanying resources (including the ability to build capacity where it is needed), the theory may struggle to translate into effective practice. Furthermore, the localism agenda is in danger of ringing hollow unless backed by devolution of funding, allowing great flexibility over spending decisions.

2.2 In addition, there is a danger that the pendulum might swing too far, such that there is a loss of co-ordination and strategic approaches and a greater tendency towards “nimbyism”. We would suggest that a framework be put in place to ensure that decision making mechanisms are available at different spatial levels to account for different interests.

2.3 Nevertheless, this approach could influence the delivery of a host of public services, some of them central to regeneration, such as policing and healthcare. However, there are a number of points in respect of which clarification would be helpful:

— Will the structure of contracts to be let under the Work Programme adequately provide for the needs of those requiring the greatest levels of support and the development of local solutions to local problems?

— Do all communities have the capacity to lead regeneration activities or will some require support in identifying and addressing priorities?

— Will the mooted changes to the planning system result in radical re-designations of land use in support of local economic development?
Incentives for growth

2.4 Incentives for growth focus largely on housing, either directly in terms of development or indirectly in terms of some of the proceeds of development (windfall and ongoing).

2.5 Tax Increment Financing (TIF) is an interesting proposition but other mechanisms might also merit consideration, such as area-based bonds. In addition, there may be merit in exploring how localities might pool resources and/or recycle receipts from investments (such as those made using Regional Growth Fund monies). In other words, encouraging a movement away from grant giving to an investment approach.

2.6 Consideration to pooling RDA assets of land, property, clawback and investments into third party delivery vehicles would also be a way of bolstering this resource for the good of local areas. The use of European Funding to deliver local area-based initiatives through a recyclable fund is also worthy of consideration, in respect of which precedents exist in the form of Jessica and Jeremie. Finally on this point, there may be merit in allowing local areas to set a time-limited levy for a specific purpose, in much the same way as is currently happening in Auckland, New Zealand to pay for key infrastructure for the Rugby World Cup 2011.

2.7 The ability of local authorities to retain locally raised business rates is a welcome move, provided there is adequate compensation for the deprived areas that lack the business base capable of generating significant revenues and where the potential for growth in the business base is limited. These limitations might include deprived areas being unattractive to outside investors (especially some retailers) and/or the ending of area-based programmes, such as the Local Enterprise Growth Initiative (LEGI), which sought to boost enterprise in deprived areas.

2.8 Although the New Homes Bonus is described in the CLG report as a powerful incentive, it will in fact be funded primarily by taking money out of the local authority Formula Grant settlement. Although in year 1 of the scheme money will come from that derived from the abolition of the Housing and Planning Delivery Grant, progressively thereafter it will come from top slicing the Formula Grant.

2.9 The Government acknowledges that the redistributive mechanism of the New Homes Bonus means that the scheme will create financial winners and losers: for any authority to gain financially (relative to their allocation before the bonus), one or more authorities must lose financially. Consequently, areas needing regeneration could be adversely affected by the changes—areas where development is significantly affected by the reduction or cancellation of other housing investment streams such as housing market renewal grant, housing private finance initiative, reduction in affordable housing grant etc. In some areas this will be compounded by a focus on net additional homes for the New Homes Bonus limiting grant in regeneration areas that require demolitions to precede the building of new homes.

2.10 It is also in this section of the CLG report that LEPs get a mention. They will: “be working across real economic geographies to drive economic growth and ensure that decisions are made locally”. IED’s belief is that LEPs were largely formed on the basis of discussions between Council Leaders and Chief Executives and are therefore “political” creatures rather than based on any assessment of economic functionality.

2.11 Again, there are a number of points in respect of which clarification would be helpful:

- Will income from locally raised business rates be ring-fenced for re-investment in business development activities?
- To which local community organisations will income from local developments be distributed?
- How much discretion will they have on how they might choose to spend it?

Removing barriers that hinder local ambitions

2.12 The Government appears to be placing a great deal of store on the ability of relaxed planning rules to support growth. Whilst this has its place, it does appear to be a rather narrow approach.

2.13 In addition, whilst local authorities may be freed from restrictions imposed from above, there is a danger that they will become burdened with having to deal with a multiplicity of community-based approaches. Furthermore, these might not only be inconsistent but in conflict.

2.14 There is also the possibility of the re-emergence of an old burden—too many resources taken up by competitive bidding processes with uncertain outcomes and decisions made at the centre rather than locally. It is hoped that Round 1 of the Regional Growth Fund, with its central decision making and a reported £2.8 billion worth of bids chasing the £300 million available, is not a precedent to be followed in respect of regeneration activities more generally.

2.15 In addition, IED has some concerns about the more recent announcement of the designation of Enterprise Zones, similar to those created in the 1980s. Evidence suggests that the net benefits are a fraction of the gross benefits, with a huge amount of displacement. The vast majority of the jobs they “created” in the 1980s were simply relocated from outside the Zones. Worse still, cost per job figures were considered relatively high, and local relocations of businesses created other problems with abandonment of city centre sites for cheaper alternatives out of town, requiring the design of an additional regeneration remedy.
Targeted investment

2.16 Naturally, the Regional Growth Fund, and investment in adult skills through the Early Intervention Grant and the Fairness Premium are most welcome, albeit that the level of resources available is perhaps disappointing.

2.17 There may be scope for further targeted investment through the use of RDA assets or, at the very least, the income that these assets generate. Although the CLG report refers to them being “managed in a way that delivers the best possible outcome for regeneration in local areas, while delivering value for the public purse”, IED would welcome a transparent process and one that sees the value of these assets/the income they generate re-invested in regeneration activities in the areas within which those assets reside.

2.18 Again, there are a number of points in respect of which clarification would be helpful:
- What about the areas that will not benefit from either Crossrail or High Speed 2 (and may even be made relatively less competitive by these investments)?
- How can the Regional Growth Fund expect to facilitate a surge in private sector enterprise when the overall resources for enterprise development have been reduced and the support infrastructure been dismantled?
- With three quarters of Round 1 bids reportedly in contravention of EU State Aid Rules, is it realistic to expect good quality bids in subsequent rounds?

3. What benefits is this approach likely to bring? In particular, will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on? Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

3.1 The CLG report says that the Government sees its role as being strategic as well as supportive but what the report does not do is provide any real strategy for regeneration. There does not appear to have been any assessment of what sort of regeneration is needed, where it is needed and how it might be delivered to best effect.

3.2 Regeneration appears to be defined in terms of housing, rail infrastructure and Olympic legacies. Not only does this ignore most of the elements that have contributed to community-based regeneration undertaken by successive governments over the past 30 years or more, but it leaves large parts of the country untouched. If there is a genuine commitment to community-led regeneration, it might be helpful to understand which communities need regenerating, in what ways and by what means.

3.3 In respect of overall resource allocation, whilst the clarification of local authority budget cuts is noted, this relates to overall expenditure. Taking into account the obligations on local authorities to deliver statutory services to minimum standards, this would suggest far deeper cuts in respect of non-statutory services—such as regeneration and economic development. Indeed, reports from IED members are that regeneration and economic development cuts are resulting in staffing being cut, activities being restricted and, in some cases, regeneration/economic development functions ceasing altogether.

4. What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

4.1 Area-based regeneration has been a feature of government policy over the past 30 years or so. There are some excellent examples of regeneration funded by urban development corporations, City Challenge, Single Regeneration Budget, Neighbourhood Renewal Fund, New Deal for Communities, Working Neighbourhoods Fund, Deprived Area Fund and Local Enterprise Growth Initiative, amongst others. IED urges the Government to review these examples and introduce a new area-based regeneration programme that complements and adds value to the types of physical developments that have been proposed.

4.2 There is a legacy from the economic boom of land owned by speculative developers bought at the height of the boom with a value expectation based on two bedroom apartments. There is a need for absolute certainty in planning policies, very clear statements concerning additional developer contributions required, well enforced development timetables and overage agreements with commercial developers where the public sector has a land interest. Where these are in place, sustainable development has taken place. Where this is weak, unsustainable bubbles have arisen.

5. What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

5.1 With regard to attracting funding from public sources into regeneration, we would wish to highlight the issue of EU funding. Cuts to RDA funding place a question mark over the ability to draw down full allocations of European Structural Funds and other EU funding. The ability of the Government to have its investments in regeneration supplemented by EU funding must surely represent very good value for money. Without a sufficient contribution from the public purse, it would appear that EU funding and the regeneration benefits it brings could be lost by those parts of the country that need it most.
5.2 Governments cannot (and probably should not) seek to remove risk, but can help private sector investors to establish the extent of risk and provide clarity in respect of investment processes and timescales. Developers will put funds into schemes when:

- There is certainty of delivery of public sector investment—failure to deliver public sector infrastructure improvements continues to erode developer confidence in ambitious regeneration schemes.
- There is certainty on development costs (brownfield sites with uncertain below ground conditions need public sector insurance) and certainty on the level of the contribution required from investors (through TiF, affordable housing provision, Section 106 monies etc.); and
- There is certainty over development timescales—long and uncertain planning consents, contributions from linked projects etc. erode investor confidence.

5.3 However, we recognise that the market is dynamic and it moves. If development contracts funded through public sector investment are sufficient to have a material impact on the market itself, then firms will have no option but to accept tighter margins and price risk differently. Risk is not solely priced according to the perceived likelihood of the risk materialising, but also on what is competitive within the marketplace.

5.4 Private investment in a regeneration context has mainly been thought of in terms of financial institutions and developers. However, given the role that the Government has played in providing guarantees to individual savers and the desire for individual savers to achieve better returns on their investments, there may be a unique opportunity to devise a financial instrument that attracts finance from individuals for investment in regeneration projects, with the offer of competitive rates of return and with the Government as guarantor rather than principal provider of resources for particular regeneration schemes. For fairly obvious reasons, such a model would need to wholly differ to the approach adopted in respect of Eurotunnel. It is suggested more as a savings and investment scheme than a public share scheme.

5.5 In addition, at community level, consideration ought to be given to encouraging Credit Unions and other such bodies to become involved in the financing of local regeneration projects. Some Credit Unions, for example, have significant resources that could be invested for community benefit and to generate returns for the investing body.

6. How should the success of the Government’s approach be assessed in future?

6.1 In order to be able to demonstrate the economic and social returns on investment in regeneration, there is a need to identify indicators of success (such as new business starts), establish data collection systems and undertake meaningful analysis that links outcomes and impacts with the investments made. In general terms, success will be determined by the extent to which communities are vibrant and sustainable without the need for significant levels of ongoing public sector support.

7. Closing Statement

7.1 The movement from regionalism to localism is being accompanied by a substantial reduction in spending on regeneration and economic development and a shift in emphasis from partnerships in which the public sector played a lead role to those where the private sector is expected to do so. Whilst reduced spending on regeneration is inevitable within the context of overall public sector budget cuts, the expectation that the private sector might fill the void is believed to be high risk and particularly given that its activities may deliver economic and social outcomes that do not accord with the priorities of government nationally or locally.

7.2 It is IED’s view that much more needs to be done, both to facilitate private sector involvement in regeneration and to undertake regenerative activities where it is inappropriate for the private sector to take the lead given the nature of the economic and/or social outcomes being pursued. This will require more resources to be invested, but it is important to regard such spending as an investment and not a cost, with the potential to generate significant returns, not least in helping facilitate reduced spending in other parts of the public sector. For example, there is a significant body of evidence to show that regeneration investments can reduce crime, improve health and cut unemployment.

7.3 We would therefore propose the following:

- Help for Business Start Ups—based on a need to ensure that those in regeneration areas wishing to start or grow a business, as well as those battling for survival, have access to the support that will help them to achieve their goals.
- Reinforcement of the Business Support Infrastructure—given the importance of investing in economic development as a catalyst for economic growth and to refine approaches to make them even better suited to current and future needs.
- A focus on Neighbourhood Renewal—to build on the good practice evidenced by the more successful area-based regeneration programmes.
- Local solutions to worklessness—providing appropriate support and assistance to those concerned as well value for money to the taxpayer.
— Boosting Town and City Centres—to develop innovative and relatively low cost strategies to help revitalise our town and city centres.

— A Strategy for Sustainable Growth—to exploit opportunities afforded by “green” technologies, to develop public procurement systems that work for rather than against businesses rooted in local communities and to ensure that people from all communities can contribute towards the generation of economic growth.

— Imaginative Funding Mechanisms—that utilise existing assets (held by RDAs, credit unions etc) and attract subscriptions from members of the public, alongside the public sector.

March 2011

Written evidence submitted by the Chairs of the Housing Market Renewal Pathfinders

Introduction and Summary

This evidence is submitted by the Chairs of the 10 Housing Market Renewal Pathfinders. The Housing Market Renewal Programme (HMRP) ends on 31 March. The purpose of this evidence is not, however, to lobby for the programme, those decisions have already been taken, but to draw out some of the lessons relevant to the questions set by the Committee.

As Chairs we have a wide range of experience in regeneration, both through the HMRP and other programmes. We also come from a range of backgrounds, including local and central government, the private sector and academia.

Our main conclusions are:

— This country has built up considerable expertise in regeneration that stands comparison with anywhere in the world, especially in integrating the various sectors to be improved and involving fully the private sector and the local community. Regeneration policy has continued to evolve. Local authorities have a central and increasing role in setting the strategy, aligning expenditure and providing leadership.

— The Pathfinders, which close on 31 March as the Housing Market Renewal Programme finishes, have been successful both in meeting their targets and in bringing about the comprehensive renewal of their priority neighbourhoods as emphasised by the Audit Commission. We have not found the planning regime or the availability of powers to be a hindrance.

— The problem now faced in the Pathfinder areas is the absence of funding. This has been exacerbated by the fact that funding has been terminated suddenly rather than through a phased withdrawal which would have allowed a planned exit. The cuts have, of course, coincided with a significant reduction in local authority budgets. The HMRP programme was £260 million in 2010–11 and will be zero in 2011–12.

— This funding withdrawal has left many schemes half completed, neighbourhood’s only partially dealt with and families in distressed circumstances, including living in streets which have been partly demolished. There is also a grave danger in many areas that the investment in part completed projects will be wasted as the neighbourhood deteriorates, giving poor value for both the public and private funds spent to date. Staff skilled in implementing projects, often paid for by the Housing Market Renewal Programme, are also being lost.

— The Coalfields have similar and, sometimes, overlapping regeneration issues. Ministers have recently announced £30 million over two years for the Coalfields Trust and £150 million to complete remaining projects. We have no problems with money devoted to such schemes but do not see how projects in our communities can be any less deserving.

— Other funding streams now in existence or announced, including the New Homes Bonus and the Regional Growth Fund, will probably finance only a very limited level of regeneration. In the latter case, however, decisions have yet to be announced.

— We welcome many of the proposals in the Government’s report “Regeneration to Enable Growth” particularly the reduction in ring fencing, the possible use of RDA assets for regeneration and the support for communities. These advances are, however, likely to be more than offset by the lack of funding.

— One value of the Pathfinders has been that they straddle local authority boundaries, ensuring that priorities are agreed across the wider housing and jobs market. The Local Enterprise Partnerships (LEPs) have an important role to play in ensuring the continuation of such an approach and we welcome the £5 million made available by the Government over two years to provide support for such work in the LEPs.
— Private finance has always been difficult to attract to such areas, especially in an economic slowdown. Gap funding, as operated by the Homes and Communities Agency, is a cost effective way of achieving such finance for capital schemes. Other proposed schemes such as Local Asset Backed Vehicles (LABVs) and Accelerated Development Zones (ADZs) may have a part to play but would need to be developed as part of an overall regeneration strategy for the city and would be unlikely to be sufficient on their own.

CONTEXT

Before dealing with the Committee’s question we should make a number of points:

— This country has built up considerable expertise in urban regeneration over the forty three years since the launch of the first Urban Programme. Our regeneration policies have evolved in the light of experience and our skills, particularly in local authorities and the private sector but also in some communities, match those anywhere in the world, especially in integrating different activities and programmes to bring about comprehensive renewal.¹

— This is just as well because, as we were the first to enter the industrial revolution, so much of our infrastructure is outdated, particularly in the inner city. 21% of our housing stock was built before 1919 and much of this is located in city cores. The clearance programmes of the 1960’s and early 1970s tended to concentrate families in social housing which was often poorly built and managed. The poorest families inevitably gravitated to the poorest quality housing, creating deprived communities. 43% of the 1% most deprived communities lie within the Pathfinder areas. These neighbourhoods have to be tackled comprehensively if we are not to condemn families to long term disadvantage and are to reintegrate the neighbourhoods back fully into the economy.

— In all cases, local authorities have to deal with other elements besides housing, such as education, training, health and policing. One of the most sterile debates in regeneration is whether we are dealing with people or places. The answer has to be both: enhance the skills, employability and income of families and they will sensibly leave the neighbourhood to better themselves, improve the physical fabric alone and the neighbourhood will soon deteriorate again as incomes are inadequate to sustain the area.

— There has been talk of excessive top down regeneration. We do not see it that way. The Pathfinders were created and managed by local authorities with central government funding. They defined their own strategies and priorities. The proposals for dealing with priority neighbourhoods were always negotiated with full local community involvement. This was also the case with New Deal for Community projects. It is worth bearing in mind, however, that in some of the communities with which we have had to deal the population is not stable. Up to 50% of the houses were vacant in certain places in the early days and much of the remaining population was transient.

— In these circumstances the role of the local authority is key. In most cases it alone can provide the leadership and the ability to draw together different activities and funding streams. Many authorities, especially unitary councils, are adept at such delivery. Moreover, the neighbourhoods to be regenerated may be central to the wellbeing of the city and it is legitimate for the city fathers, as well as the local community, to be heavily involved in decisions about renewal.

— It is also important to avoid tilting at windmills. Planning policy or the available powers have been quoted as restricting the success of regeneration. That is not our experience. Planning is not usually a difficulty in such areas where the local authority is determined to achieve renewal: similarly we know of no major cases where the powers have significantly limited action. Some requirements, particularly around compulsory purchase procedures, can be demanding and time consuming but that is justified by the importance of the decisions being taken.

— Our premise, therefore, is that regeneration in this country has evolved into a successful policy area. It is not perfect by any means but it is capable of real achievements thought skilled and experienced politicians, staff and communities. The Pathfinders, for example, have met almost all their targets. Their success has been generally endorsed by the Audit Commission who have reviewed them in detail. We can do no better than quote the Commission’s final annual review.²

¹The HMR programme is making a difference to the communities it serves, with fewer empty houses, reduced crime, and more jobs and training opportunities, especially in those neighbourhoods that are more advanced in their programmes. By March 2011, HMR investment will have averaged about £115 per resident per year—surprisingly less than the comparative spend by the New Deal for Communities (NDC) programme per head on housing. By March 2011, pathfinders will have:

— refurbished more than 108,000 existing homes;
— attracted private investment to complete over 15,000 new homes;
— readied substantial sites for future development through selective acquisition and clearance of up to 30,000 properties;
— generated some £5.8 billion of economic activity across the economy;
— created some 19,000 jobs in construction and related industries; and
— helped maintain over 2,600 jobs in the construction industry each year.”

The problem therefore is not mainly one of skills or commitment or community involvement. The problem is that resources both for the Pathfinders and regeneration generally have dried up. In the case of the Pathfinders, cuts implemented over time could have been managed but the programme has gone from £260 million in 2010–11 to zero in 2011–12.

The Select Committee’s Questions

“How effective is the Government’s approach to regeneration likely to be? What benefits will the new approach bring?”

As we have argued above, the country has built up considerable expertise in regeneration, especially within local authorities, the private sector and some communities. There is not a lot wrong with the way in which the process was evolving.

This is not to argue for the status quo. The development of a single regeneration block within the Homes and Communities Agency’s (HCA) budget linked to the Local Investment Plans drawn up by the local authorities, for instance, would mark an advance on the Housing Market Renewal Programme. Moreover, we welcome many of the proposals in the Government document “Regeneration to Enable Growth.” It is valuable, for example, that the HCA is working with the Regional Development Agencies to ensure that the land and property assets of the latter are managed in a way which delivers the best possible outcome for regeneration. Similarly, the strengthening of the community voice should prove valuable as will the proposals to enhance the skills and employability of the workforce. The ending of ring fencing of budgets will remove one of the most frustrating elements in attempting to put together a regeneration package. Other benefits are mentioned elsewhere in this evidence.

These advances, however, are likely to be more than offset by the extreme cut backs in regeneration funding, not only through the Housing Market Renewal Programme but also through local authority budgets. Alternatives such as the Regional Growth Fund and the New Homes Bonus may provide some resources. These, however, must be put in context.

The amounts through the New Homes Bonus will be relatively small. The Newcastle Gateshead Pathfinder, for example, has calculated that, on the basis of construction rates over the past ten years, the two authorities will gain about £6.03 million over six years. This compares with an HMR budget for the Pathfinder of £28.9 million in 2010–11 alone.

Similarly there will no doubt be many pressures on the Regional Growth Fund. The Fund overall is £1.4 billion over three years (ie about £470 million a year). This is in excess of the HMR programme which peaked in 2007–08 at £405 million. However, the fund is available across the country, though focused on the areas that have suffered public sector job losses. Moreover, the priorities of the Fund, according to the consultation paper, lie firmly in the creation of jobs, business support and the revival of the economy. This is understandable but it should not be assumed that there will be much available for the capital improvements of the infrastructure in the poorest areas. Matters will become clearer only when the results of the first round of bidding are announced.

The coalfields have similar issues of neighbourhoods experiencing a long period of decline, some recovery and successful schemes but being susceptible to the economic slowdown. These were highlighted in the Review of Coalfields Regeneration published last September. In response Ministers have recently announced £30 million over two years for the Coalfields Trust and £150 million to complete remaining investment projects.

Will it ensure that sufficient public funds are made available for future town centre and city regeneration projects as well as for more localised projects?

As is implied above, it seems unlikely that sizeable regeneration projects will be fundable in the near future.

There is also a danger that funding will be inadequate to retain within local authorities sufficient staff with the necessary core skills. Besides anything else many of the staff working on implementing projects on the ground are paid for by the Housing Market Renewal Programme. Such retention is essential to ensure that, when resources become available, we do not as a nation have to re-learn techniques such as integrating the various activities and working with communities and the private sector. This was to some extent the case in the 1970’s.

What lessons should be learnt from the past and existing regeneration projects to the Government’s new approach?

One lesson that we have learned to our cost recently is that Government and regeneration timescales do not coincide. As we pointed out to the ODPM Select Committee Inquiry into low demand Pathfinders in 2005 and
to the All Party Urban Development Group in 2009 “Regeneration and renewal schemes typically have a lead time of four to six years from inception to delivery, and in complex neighbourhoods the period can be far longer. During this time considerable negotiations take place with local communities and with the private sector.”

Recognising this issue, a commitment to a ten year horizon was given to the New Deal for Communities programme, but this was the exception rather than the rule. The original implementation agreements between the Pathfinders and Government in 2004 stated that the agreement would run until 2018, though with the usual termination clauses. In reality funding has never been provided for longer than two years and, on more than one occasion, the budgets were not approved by Government until several months into the year in question.

These problems have been severely exacerbated recently with the sudden ending of the programme. Some cuts were no doubt inevitable though it would have been desirable for a significant renewal programme to continue. The problems have been magnified, however, by the abrupt ending, rather than the phased withdrawal, of the programme. Neighbourhoods which were promised action in later years will be disappointed. More importantly, many schemes have been left partially completed. As a result there are streets where some houses have been refurbished, some demolished, others boarded up and some still occupied by families living in dismal conditions. Moreover, some neighbourhoods where renewal has been only partially completed may well regress because of the unsatisfactory state of the half completed environment. This is likely to provide very poor value for money from the investment to date.

Annex A provides two examples of such schemes.

An interesting characteristic of the Pathfinders has been that they straddle local authorities because housing markets are no respecters of local authority boundaries. This has ensured that priorities have been defined across the wider market. To do otherwise runs the risk that improving one neighbourhood could well be at the expense of another just across the boundary. Another, less obvious, benefit has been that the less adept authorities have significantly improved their performance as a result of working closely alongside the more able. We therefore welcome the £5 million made available by the Government to the Local Enterprise Partnerships over two years to fund the continuation of cross authority working.

What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

As far as public money is concerned the greater the freedom given to local authorities and other funders to align their priorities locally the better. As already mentioned, the move of the Homes and Communities Agency towards a single housing pot linked to local investment plans is also welcome. It is unfortunate that it coincides with that pot being almost empty!

The ability of central government to align its funding streams to ensure, for example, that schools or health centres can be built in regeneration areas or skills training provided to the inhabitants, has improved over recent years. The Government’s localism policy and the measures listed in the CLG statement “Regeneration to Enable Growth” should continue that improvement.

Private finance has always been difficult to attract to regeneration areas, even before the recession. One reason that such neighbourhoods are rundown is that private money has fled. A gain, over the past twenty years, considerable expertise has now been built up by both the public and private sectors in negotiating and implementing projects, especially capital schemes. The use of gap funding as developed by the HCA has been particularly important in gaining the best value for money from the public pound.

A large number of other proposals for attracting private money have been suggested in the past. These almost always involve public expenditure, either as subsidy or as income forgone. We have commented on two in the recent past, namely Local Asset Backed Vehicles (LABVs) and Accelerated Development Zones (ADZs), as follows.

“Local Asset Backed Vehicles (LABVs). In the classic situation the local authority puts land into a specially created company and seeks equity funding from the private sector. The company, which is jointly owned, is then able to borrow against its assets to invest in its area and the returns are distributed between a dividend and a re-investment into the area. Such a scheme, or a variation of it, would certainly seem to have its place. It is, however, a long term solution and is as yet untried. There is much to be said for encouraging those Authorities who have such schemes in mind and monitoring closely their performance. One feature which might greatly help their attractiveness would be if Government were to make it clear that any borrowing by such a body would be outside the local authority’s prudential borrowing limits.

ADZs (“Tax Increment Finance” in the USA) were proposed by the Core Cities Group and Price Waterhouse Cooper in 2008. In essence councils would be able to borrow funds for development against future business rate revenue. ADZs would assist the provision of infrastructure and would, as the Core Cities report points out, “enable local authorities to participate in the growth dividend.” From our point of view, however, any ADZs which are established should coincide with the priority regeneration areas. If this is not the case they would add to the competition for scarce private resources.
An ADZ would assist in financing the provision of infrastructure in an area. It would be relevant, however, only where the Authority could be confident of a resulting uplift in property values. In many of our areas, as has been mentioned, action is needed on a number of fronts over a prolonged period to achieve comprehensive and lasting regeneration, especially in times of slow economic growth. Thus an ADZ could be a useful addition to the bag of possible actions but, as the Core Cities Group report recognises, may well not be sufficient on its own."

How should the success of the Government's approach be assessed in future?

An assessment of regeneration policy is never straightforward because of the difficulty of distinguishing the effects of policy from other influences. One obvious criterion is the gap, according to a range of indicators, between the most deprived neighbourhoods and the norm. This was one of the recommendations of the National Audit Office in its inquiry into the Pathfinders for the Public Accounts Committee in June 2008.7

Again, various academic institutions have built up considerable expertise through evaluating such programmes as City Challenge, the Single Regeneration Budget, New Deal for Communities and the Housing Market Renewal Fund.

References
1 See, for example, “Messages for Competitive European Cities” Liverpool John Moores University 2007
4 “Consultation on the Regional Growth Fund,” Department for Business, Innovation and Skills, Department for Communities and Local Government, July 2010.

Use has also been made throughout this evidence to documents published by the Chairs.

Annex A

Examples of Neighbourhoods Affected by Withdrawal of Funding

Bensham, Gateshead

In Gateshead, the focus of demolition and renewal activity is Bensham. Three phases of demolition were planned for about 450 houses (all Tyneside flats). The final 90 are now in limbo thank to the loss of funding. Some £9 million would secure the acquisition, displacement and demolition costs. The streets in question are surrounded by completed housing improvements so lack of demolition will be an eyesore for those owners and tenants and would also leave many people trapped in homes from which they cannot be decanted.

As well as community blight, there will be a significant economic impact. The land in the three clearance phases is included in the proposed disposal of 19 publicly owned sites to a consortium for development, including affordable housing. The final stages of the OJEU tendering process are in place but the basic assumption of cleared land cannot be delivered if resources are not available. The area action plan has strong resident approval and the new homes would add to the choice of tenure and house type available in the area.

Granby Estate, Edlington, Doncaster

As part of the HMR Pathfinder programme in Doncaster, the clearance of selected properties on the Granby Estate, Edlington was approved on 19 September 2007. To date, 183 properties have been demolished. As at 2 March 2011, there are 23 empty properties awaiting clearance (pepper potted between tenanted homes), with a further 12 fully disconnected properties currently with our demolition contractors.

The announcement that there will be no dedicated HMR funding beyond March 2011 has meant that Doncaster is unable to release the last four phases of the clearance scheme. As a result residents are left in the middle of a clearance site, with no timescales regarding when, or indeed if, they will now be given the opportunity to move. They find themselves adjacent to large areas of undeveloped brownfield land, which they feel is detrimental to the neighbourhood. Crime, arson and ASB have recently escalated. Resident aspirations and the Council’s relationship with the community, which has been developed over the last five or six years, have been handicapped.
In addition, maintaining the cleared sites and securing any empty homes to ensure the safety and security of those who remain is costly to the Council. Obtaining maximum value for the land is also dependent on a fully cleared site.

In short, the local community on the Granby estate have been left in limbo regarding the future of their homes and aspirations of a sustainable, thriving community. The Council is unable to progress re-development of the site to stimulate housing and economic growth, with a real threat that the area will suffer further decline.

March 2011

Written evidence submitted by the Chief Economic Development Officers Society (CEDOS) and the Association of Directors of Environment, Economy, Planning & Transport (ADEPT)

SUMMARY OF EVIDENCE

— We support the Government’s ambition to achieve locally driven growth. We welcome the emphasis on the important role effective regeneration can have in driving economic growth, strengthening communities and supporting people back into work.

— We strongly support the need identified in the CLG report for “every part of Britain to fulfil its potential so we can prosper and grow as a nation”.

— Whilst the new approach can bring benefits, we have serious concerns about the likelihood of it being as effective as it could be as a result of:
  — the lack of a clear national strategy for regeneration;
  — a failure to recognise the need for a strategic approach at the local/sub-regional level; and
  — the scale of the reduction in resources for regeneration.

— With the scale of the organisational changes being made and the very significant reductions in funding being made, there must be a serious risk that the progress made by previous regeneration schemes and the ability to build on their successes will be compromised.

— With the scale and pace of the public sector funding cuts, there is little likelihood that sufficient funds will be available, certainly in the short/medium term, to realise the aim of every part of Britain fulfilling its potential.

— We welcome the growth incentives and measures that the Government is introducing but as they are currently being defined/planned, some have significant limitations.

— It is essential that relevant lessons from past and existing schemes are learned. With its intention to take a strategic role, Government should, as a matter of urgency, take a lead in reviewing projects and identifying and disseminating best practice from across the country that can inform its new approach and support local regeneration action.

— To attract money from public sources into regeneration schemes, Government needs to:
  — quicken its pace in introducing incentives eg to set out definitively how it sees TIF operating and complete its consideration of Business Increase Bonus/business rate retention options and ensure that the incentives are designed in a way that supports regeneration projects and does not undermine them;
  — extend the principle of place-based community budgets to economic development and regeneration, with all levels of funding and intervention—national as well as local—being covered; and
  — ensure that match funding is available to enable resources from European programmes to be drawn down to maximum effect.

— Restoring the necessary level of confidence to attract private investment into regeneration should be a key plank of policy for Central Government and local authorities. There is a need to provide certainty on the delivery of necessary public funded infrastructure, on developer contributions and on development timescales. Whilst risk cannot be removed, incentives and safeguards need to be considered to help lessen risk and make regeneration schemes attractive to private investors.

— Consideration of how to assess the success of the Government’s new approach is a conspicuous by its absence in the CLG report. In its strategic and supportive role, Government needs to address this gap and provide guidance to identify measures of success related to the objectives of its new approach.

INTRODUCTION

1. This Memorandum of evidence is submitted jointly by the Chief Economic Development Officers Society (CEDOS) and the Association of Directors of Environment, Economy, Planning and Transportation (ADEPT).

2. The Association of Directors of Environment, Economy, Planning & Transport (ADEPT) represents local authority Strategic Directors who manage some of the most pressing issues facing the UK today. ADEPT membership is drawn from all four corners of the United Kingdom. The expertise of ADEPT members and
their vision and drive is fundamental in the handling of issues that affect all our lives. Operating at the strategic tier of local government they are responsible for delivering public services that relate to the physical environment and the economy.

3. The Chief Economic Development Officers Society (CEDOS) provides a forum for Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils in non-metropolitan areas, which together represent over 47% of the population of England and provide services across over 84% of its land area. The Society carries out research, develops and disseminates best practice, and publishes reports on key issues for economic development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

4. CEDOS and ADEPT welcome the opportunity to submit evidence to the Communities and Local Government Committee’s inquiry into regeneration, following the publication by the Government of the report “Regeneration to enable growth: What Government is doing in support of community-led regeneration”. Our joint evidence, which has been framed in the light of consulting with our members across the country, focuses on the specific questions being considered by the Committee’s Inquiry.

**The Government’s New Approach**

5. The report sets out a new localist approach to regeneration, “putting residents, local businesses, civil society organisations and civic leaders in the driving seat and providing them with local rewards and incentives to drive growth and improve the social and physical quality of their area”.

The report argues that with the country facing a record budget deficit and less money available for investment in regeneration, a new approach is needed.

6. The Government believes that regeneration activity should be led by local communities not by Whitehall. It sees its role as being strategic and supportive by:
   - reforming and decentralising public services;
   - providing powerful incentives that drive growth;
   - removing barriers that hinder local ambitions;
   - providing targeted investment and reform to strengthen the infrastructure for growth and regeneration and to support the most vulnerable.

How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

7. We support the Government’s ambition to achieve locally driven growth. We welcome the emphasis on the important role effective regeneration can have in driving economic growth, strengthening communities and supporting people back into work. We agree that it is important, not only for individuals and communities but also for the country as a whole and we strongly support the need identified in the CLG report for “every part of Britain to fulfil its potential so we can prosper and grow as a nation”.

8. Whilst the new approach can bring benefits, we have serious concerns about the likelihood of it being as effective as it could be as a result of:
   - the lack of a clear national strategy for regeneration;
   - insufficient consideration of the need for a strategic approach at the local/sub-regional level; and
   - the scale of the reduction in resources for regeneration.

**Lack of an Overall National Strategy**

9. The Government believes that regeneration activity should be led by local communities not by Whitehall. Nevertheless, it sees its role as being strategic as well as supportive. Despite this, there is an absence of any real strategic guidance in the CLG report. There is no real attempt to define what is meant by regeneration. Although the report refers to strengthening communities and improving the social and physical qualities of local areas, the over-riding focus is on the physical aspects of regeneration, with other economic, social and community development aspects largely ignored. Whilst we support the focus on local leadership, if the Government is to support community based regeneration, some overall assessment/strategic guidance on regeneration needs, approaches and resources would be helpful.

**Need for a Strategic Approach at Local/Sub-Regional Level**

10. The CLG report focuses on “lifting the burden of bureaucracy and empowering local areas to do things their own way” but apparently fails to recognise a need for a strategic approach at the local/sub-regional level. There is an emphasis on a simplified and streamlined National Planning Policy Framework that will allow local communities to set their own policies by abolishing regional strategies in favour of local and neighbourhood plans. Whilst we strongly support the Government’s emphasis on localism and the important role of local communities, we are concerned about the potential risk of a new right for communities to draw...
up neighbourhood development plans to undermine effective regeneration through giving rise to a new wave of “nimbyism”.

11. In our view, it will be essential for the detailed proposals for neighbourhood development plans to be drawn up in a way that minimises this risk. It should be recognised that neighbourhood interventions and larger spatial responses to regeneration are not mutually exclusive and we consider that the introduction of neighbourhood plans must take place alongside provision for effective sub-regional strategic planning and coordination. In fact, the need for a strategic approach is provided in the conclusions of the CLG report itself, which recognises that regeneration action will vary from area to area and needs to take place at the right spatial level from local neighbourhoods to whole towns, city regions to rural areas.

Availability of Resources

12. Effective regeneration needs resources. We recognise the constraints on regeneration funding as on other areas of activity as a result of the overall economic situation and the need to reduce the Budget deficit. We appreciate that there will be fewer public sector resources available and what is available needs to be used to maximum effect. Nevertheless, to be effective in many areas, particularly in deprived areas, regeneration will continue to require public sector investment not least to unlock and maximise private sector funding.

13. We agree with the Government that regeneration activity should be locally led. With the cuts to regional funding and the ending of national funding streams that have supported regeneration such as the Working Neighbourhoods Fund and the Local Enterprise Growth Initiative, public funding will depend crucially on local authorities. We have real concerns that the scale and pace of the cuts facing local government could undermine the effectiveness of locally led regeneration at the same time as the economic uncertainty is inhibiting the private sector having the confidence and ability to invest. Already there are reports from local areas across the country of a significant adverse impact on local regeneration funding and activity including a loss of professional skills and expertise.

14. We acknowledge the steps that the Government is taking/proposing to take/considering with regard to, for example, tax increment financing, incentives, community infrastructure levy and the re-localisation of business rates. These are considered in more detail later in this memorandum.

Benefits of the New Approach

15. A localist approach to regeneration can bring real benefits, providing sufficient resources are available, a rounded approach to regeneration involving physical, economic, social and community development is taken, and community and neighbourhood focused action is balanced by a strategic approach locally and sub-regionally. The essence of a localist approach is that regeneration will be based on local understanding of needs, problems and opportunities rather than being dictated centrally. A focus on greater community involvement offers the prospect of bringing new ideas and approaches to the regeneration process. It needs to be recognised, however, that there will be no quick fix. Achieving real involvement of all parts of communities requires time and effort— and resources.

16. We welcome the decision to replace regional development agencies (RDAs) with local enterprise partnerships (LEPs). However, unless the devolution of power is accompanied by real devolution of resources to LEPs and their local authority partners, it will be a significant barrier to their ability to drive and support regeneration locally. As regards the removal of barriers, we welcome the steps the Government is already taking to reduce the burden of too much reporting and inspection on local authorities and the reduction in the overlong chain of decision-making with the abolition of the RDAs. However, there needs to be continued vigilance and action needs to be taken to tackle the burdens that remain and in some cases that could be intensified, for example as a result of too many local resources being taken up by time consuming and uncertain competitive and other bidding processes for centrally controlled funds.

Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on?

17. With the organisational changes being made and the very significant reductions in funding being made, including the cuts to RDA funding that have already taken place, funding allocated to some projects has now been withdrawn. In other cases projects advanced to a late stage of final approval have fallen into a state of limbo awaiting alternative funding opportunities. Whilst the introduction of the Regional Growth Fund is, of course, welcomed, the reality is that there is less funding available for regeneration schemes and greater competition for what is available. With over 450 applications for the £350 million first round of Regional Growth Fund bidding totalling £2.78 billion, there is little hope that the majority of projects will be realised in the short to medium term. Having regard to this and the loss of professional skills and expertise referred to earlier, there must be a serious risk that the progress made by previous regeneration schemes and the ability to build on their successes will be compromised.
Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

18. To realise the Government’s aim that every part of Britain is able to “fulfil its potential so we can prosper and grow as a nation”, there must be sufficient public funds available to achieve the necessary regeneration projects in both urban and rural areas across the country. With the scale and pace of the public sector funding cuts, there is little likelihood that sufficient funds will be made available, certainly in the short/medium term. The cuts to local authority funding, the reduction in RDA funds and the ending of the Working Neighbourhoods Fund, the Local Enterprise Growth Initiative and the Local Authority Business Growth Initiative, are already taking their toll.

19. At the same time, we welcome the growth incentives and measures that the Government is introducing/planning such as the Regional Growth Fund, the Community Infrastructure Levy, the New Homes Bonus, the intention to introduce powers to allow local authorities to implement tax increment financing, and the consideration of options for councils to retain locally-raised business rates. However, some of these measures as they are currently being defined/planned have significant limitations, for example:

- Regional Growth Fund—This falls well short of previous RDA funding and for which on the evidence of the first bidding round is likely to be heavily over subscribed.
- New Homes Bonus—described in the CLG report as a powerful incentive, it will in fact be funded primarily by top slicing the local authority formula grant. The Government acknowledges that the redistributive mechanism of the bonus means that the scheme will create financial winners and losers. Moreover areas needing regeneration could be adversely affected by the reduction or cancellation of other housing investment streams and by the Government’s decision to pay the bonus on the net increase in dwellings rather than for all new homes that are built when the reality is that in areas requiring regeneration, new house building often needs to be preceded by demolition of existing dwellings.
- Re-localisation of business rates—Whilst in principle we support councils retaining business rates, the option selected should have the flexibility to unlock the economic potential of all areas and should not disadvantage areas that benefit under the existing system. There needs to be a mechanism either within or alongside the business rate retention model to encourage business growth in areas where there is a limited business rate yield. In 2 tier areas there needs to be a realistic basis for the distribution of retained business rates between the District Councils, who collect the rates and the County Councils, who often undertake the greater amount of activity to support economic development and regeneration. It is our strong view that the distribution of retained business rates, or indeed any other form of business growth incentive, should be in proportion to the spend on relevant services that support economic development, including capital investment.
- Tax increment financing (TIF)—We welcome the intention to introduce TIF. However, the Local Growth White Paper anticipated that, at least initially, it would be introduced through a bid-based process with lessons from a set of initial projects informing future use of the proposed new borrowing power. Whilst a pilot phase designed to provide a better understanding of the risks and practicalities of TIF and to develop best practice has merit, we believe strongly that TIF must be open to all authorities and should not be based on a bidding process. Quite apart from the fact that such a process would run counter to the principle of fair treatment for all areas, it would introduce an unwanted bureaucracy, which would impose an additional cost on local authorities and be an unnecessary barrier to local regeneration action.
- Targeted investment—A significant proportion of the investments referred to in the CLG report focuses on High Speed Rail 2, Crossrail and the Olympic Park, which raises the question of what happens to areas that will not benefit from these investments?
- RDA Asset disposal—The CLG Report refers to refers to them being “managed in a way that delivers the best possible outcome for regeneration in local areas, while delivering value for the public purse”. Clearly a balance has to be struck but it will be extremely important to maximise support for local economic development and regeneration.

What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

20. There are many examples of area-based regeneration projects led by local authorities, urban development corporations and others using a range of funding streams such as the Single Regeneration Budget, the Neighbourhood Renewal Fund, the Working Neighbourhoods Fund and the Local Enterprise Growth Initiative. It is essential that relevant lessons from past and existing schemes are learned. With its intention to take a strategic role, Government should, as a matter of urgency, take a lead in reviewing projects and identifying and disseminating best practice from across the country that can inform its new approach and support local regeneration action.
What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

21. Given the severity of spending cuts and the removal of grants that have been used to support regeneration, there is at present little scope to continue to source money from the public sector. In this context, Government needs to quicken its pace in introducing the incentives referred to in the CLG report, for example to set out definitively how it sees TIF operating and complete its consideration of Business Increase Bonus/business rate retention options and ensure that the incentives are designed in a way that supports regeneration projects and does not undermine them (see paragraph 19 above). As one of our members from the South West has said “it is difficult to underestimate how pressing this is as for much of the last 12–18 months there has been a hiatus with no clarity on how ambitious schemes should proceed”.

22. We recognise the need for fiscal consolidation and public sector debt reduction. At the same time, we believe there is scope for resources for local economic development and regeneration to be released by taking a cross-agency place-based approach to reduce administrative costs and central constraints that lead to inefficiency. In the Spending Review it was announced that community budgets will be established in 16 local areas to pool departmental budgets for families with complex needs, and rolled out to all local areas over the Spending Review period. We agree with the Local Government Association that the Government should not limit the policy objectives that community budgets can be linked to and that a genuinely localist approach would allow organisations in the local area to pool budgets for whatever purpose they choose so as to provide the best services for local people. We believe there is considerable potential for this in economic development and regeneration, where it is important to focus not just on local public services working together to deliver savings, important though this is. It is essential that all levels of funding and intervention are covered.

23. It is important that the flow of funds through current European programmes that benefit regeneration projects is not disrupted and it will be important that Government ensures that match funding is available to ensure that structural funds can be drawn down to maximum effect.

24. The context of public sector cuts emphasises the importance of attracting funding from the private sector, which has been hit by weakening market conditions and a fall in investment returns. Restoring the necessary level of confidence to attract private investment into regeneration should be a key a key plank of policy for Central Government and local authorities. It will be important to provide certainty on: the delivery of necessary public sector infrastructure provision; on developer contributions eg via Section 106, Community Infrastructure Levy; and on development timescales. Whilst risk cannot be removed, incentives and safeguards need to be considered to help lessen risk and make regeneration schemes attractive to private investors.

How should the success of the Government’s approach be assessed in future?

25. Consideration of how to assess the success of the Government’s new approach is a conspicuous by its absence in the CLG report. In its strategic and supportive role, Government needs to address this gap and provide guidance to identify measures of success related to the objectives of its new approach. Whilst these are not explicitly stated, references to the following in the CLG report can provide a starting point:

- ensure that local economies prosper;
- supporting people back into work;
- strengthening communities;
- improve the social and physical quality of local areas;
- ensuring areas over-reliant on public funding see a resurgence in private sector enterprise and employment; and
- enabling every part of Britain to fulfil its potential.

March 2011

Supplementary written evidence submitted by Chief Economic Development Officers Society (CEDOS) and the Association of Directors of Environment, Economy, Planning & Transportation (ADEPT)

THE ISSUE OF MATCH FUNDING FOR EU STRUCTURAL FUNDS TO ASSIST REGENERATION

Introduction

1. The Chief Economic Development Officers Society (CEDOS) and the Association of Directors of Environment, Economy, Planning and Transportation (ADEPT) jointly submitted written evidence to the Committee’s Inquiry into regeneration. In our evidence, addressing the question of what action the Government should be taking to attract money from public and private sources into regeneration schemes, we made the point that the flow of funds through current European programmes that benefit regeneration projects should not be disrupted and that the Government should ensure that match funding is available to enable EU Structural Funds to be drawn down to maximum effect.

16 See item Regen 12 on the list of written evidence on the Communities & Local Government Committee section of the Parliament web site www.parliament.uk
2. Subsequently Kieran McNamara, Chair of CEDOS gave oral evidence on behalf of our two organisations on 23 May 2011. During the oral evidence session, the Chair of the Select Committee raised the issue of ERDF funding (Question 77) and his understanding that quite a bit of it is floating around the system. He asked whether the witnesses were aware of any possibilities that might now be applied or whether it was the fact that matched funding had gone away. Kieran McNamara indicated that the evidence was that it is a matched funding issue. During the discussion, it was agreed that we would seek to provide further information and evidence on this.

3. Subsequently, we have consulted further with CEDOS and ADEPT members and we are pleased to submit this supplementary memorandum of evidence to assist the Committee. In doing so, we would like to underline our overall position that drawing down available EU Structural funding is vitally important to achieving effective local regeneration. It is equally vital to achieving the Government’s policy of rebalancing the national economy and pursuing a localism agenda—both of which we support fully.

2007-13 European Regional Development Fund (ERDF) Programme

4. The 2007–13 ERDF programme is worth £2.97 billion across England and is focused on providing funding for projects to boost economic renewal and regeneration. To draw down the available ERDF, 50% match funding is required, for which the Regional Development Agency (RDA) single programme budgets have been the major source. Collectively, the RDA single programme budgets were worth £1.7 billion in 2010-11. The Government cut these budgets last year and announced the abolition of the RDAs by March 2012. The cuts to RDA funding present a major challenge to drawing down the remaining ERDF funding and therefore to the process of economic regeneration in this country. Any unspent funds have to be returned to Brussels.

5. The Department for Communities and Local Government (DCLG) is best placed to provide the latest information on the amount of ERDF remaining unspent in the current programme. However, it is understood that there is currently around £1.3 billion remaining across the English ERDF programmes. Although DCLG has taken over ERDF governance and management, the Government has yet to set out a clear plan to ensure that match-funding is available to draw down the remaining ERDF funding. The Regional Growth Fund (RGF) had been identified as a significant match-funding source but the fact is that only one of the 50 successful RGF Round 1 bids was linked to ERDF. Concerns are growing at the likely impact on regeneration of a failure to take up available EU funding as a result of match funding problems.

Impact on Local Regeneration Projects

6. The effect on economic regeneration and recovery is perhaps best shown by some individual examples, which have been brought to our notice by CEDOS and ADEPT members. They illustrate the potential impact of the loss of Regional Development Agency match funding, and the scarcity of other financial resources to replace it, on existing committed ERDF projects.

Derbyshire—Priority Project in the Derwent Valley

7. The Derbyshire Economic Partnership manages the East Midlands Development Agency (emda) single programme funding for Derbyshire. Whilst this will come to an end in September 2011, there are a number of projects that have stalled because emda funding was cut for any future projects last year. Whilst some that were matched with ERDF have managed to find funding from elsewhere, the project that has taken the biggest hit is Derbyshire’s priority project, Cromford Mill.

8. The aim of the project is to convert Cromford Mill Building 17 in the Derwent Valley Mills World Heritage Site (DVMWHS) to:
   — provide managed workspace accommodation, offering networking benefits for a cluster of small and medium sized enterprises; this will create 19 new business units creating space for over 100 jobs in over 13,000sq.ft. of workspace;
   — reduce out-commuting, stimulating the local economy and reducing CO2 emissions;
   — be a catalyst for unlocking the economic potential of the Cromford Mills complex of partially redundant buildings and the DVMWHS (15 miles along the Derwent valley from Matlock Bath to Derby), in furtherance of DVMWHS Economic Development Plan;
   — in accordance with DVMWHS Management Plan and Economic Development Plan, provide a visitor “gateway” to attract 100,000 visitors and signpost to attractions within Cromford and the wider DVMWHS;
   — stimulate visitor spending and new jobs in the local economy and in other visitor attractions along the Derwent Valley; and
   — provide an economically viable future for this “heritage at risk” building.

9. The total cost of the project is £4.4 million. The funding package consisted of Heritage Lottery Fund, emda single programme and ERDF. £1 million was allocated to the project through the single programme but following emda’s budget cut, this has now been lost to the project. The applicant is trying to make up the

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25% in Convergence areas
shortfall but it is proving very difficult. The applicant has until September to get match funding in place otherwise ERDF will be lost.

**Northamptonshire/East Midlands—Sustainable Construction iNet Project**

10. The Sustainable Construction iNet offers expertise and advice to construction businesses throughout the East Midlands. The cuts to East Midlands Development Agency funding have resulted in the early termination of the contract for the iNet project, which is operated by the University of Northampton. The amount of emda single programme funding available will reduce by approximately £1.4 million covering the period October 2011 to March 2013. The single programme budget provided the match funding for ERDF for the project, and the £1 million of allocated ERDF funding will remain available only if alternative sources of match can be identified by 1 September 2011. The University will seek to provide partial match funding, but the majority of the £1 million ERDF funding will be lost unless alternative match funding, which aligns with the original project objectives, can be identified. Other sponsors are being actively sought to help retain the ERDF money to support innovative businesses but this is looking extremely difficult.

**Torbay—Urban Enterprise Funding**

11. The collapse of South West Regional Development Agency (SWERDA) match funding is having a direct impact on Torbay’s ability to draw down all of the available funding from the current EU Competitiveness project. One of the priorities of the South West programme is for Bristol, Plymouth and Torbay to be able to access ERDF funding for urban enterprise. This funding has been allocated to address severe deprivation in the South West and help stimulate essential economic growth. At present, there is £20 million of unspent ERDF destined for the three areas. Torbay has developed a series of projects for which it had been agreed that the Regional Development Agency would provide around 25% of the funding, Torbay 25% and ERDF the remaining 50%.

12. The withdrawal of SWERDA support has left a gap of some £2.5 million in match funding for Torbay. Work is going on to find alternative solutions. They have invested time and money developing a market analysis to support a JESSICA model to allow land to be used as match funding but this was not supported by DCLG. Despite the Government’s rhetoric, Torbay has not yet been able to link ERDF and Regional Growth Fund aspirations together. Failure to find alternative match funding will result in the inability to deliver the programme with activities such as coaching for potential business start ups, support to start ups and social enterprises and small scale workspace being lost. This could be extremely damaging to the local economy and could pull Torbay further into deprivation at a time when the area is starting to see some positive outcomes.

**The Overall Picture**

13. The above examples illustrate the problems that are being faced in many areas across the country. A survey carried out by the Local Government Association (LGA), the results of which are due in mid-July, will provide further insight. Already, emerging findings from the survey indicate the concerns of local authorities with around two-thirds of survey respondents being not very or not at all confident that there is sufficient finance, across all sources, to match-fund the remaining ERDF. 25% have been involved in projects that have fallen through, and a third have identified projects at risk. Whilst local authorities and their partners are doing all they can to find alternative sources of match funding, it is important to point out that, with the cuts they are having to contend with, local authorities are not in a financial position to fill major match funding shortfalls.

14. Once it has been analysed fully, the Local Government Association will be pleased to provide the Committee with further information from the survey, including details of other projects that are being threatened by the withdrawal of RDA funding and local ideas for resolving the match-funding issue, such as revisiting priorities and eligibility criteria at programme level, attaching higher priority to ERDF in future Regional Growth Fund rounds; increasing the intervention rates and implementing flexibilities to allow better private sector and “in kind” sources of match funding.

**The Way Forward**

15. There is an urgent need for the Department of Communities and Local Government to put in place a plan across Government and work with local authorities and local enterprise partnerships to ensure match funding is identified and made available to draw down the ERDF remaining across the current English programmes. It is also important to plan ahead for the organisation and management of future programmes. Whilst its size and nature will not become clear until next year, it seems likely that ERDF will continue in England during 2014–20.

16. To maximise the contribution ERDF can make to supporting regeneration and sustainable economic growth, in our view it will be essential for local authorities to be involved early in the process to ensure future programmes are as effective as possible in meeting local needs and circumstances. We would be extremely concerned if a centralist approach was taken resulting in a single ERDF programme for England for 2014–20. In line with its localism agenda, we would urge the Government to examine the opportunity for local authorities...
and local enterprise partnerships to play a key role in the development and delivery of ERDF strategy in this country.

July 2011

Written evidence submitted by the National Housing Federation

1. Introduction and summary

1.1 The National Housing Federation represents 1,200 independent, not for profit housing providers in England. Its members include housing associations, cooperatives, trusts and stock transfer organisations. They own and manage 2.5 million homes provided for affordable rent, supported housing and low cost home ownership, including an increasingly diverse range of community and regeneration services. Our members are at the heart of regeneration work across the country, whether as key partners in former Housing Market Renewal Pathfinders (HMR) in northern and central England or development partners in regeneration of East London for the Olympics. Housing associations invest around £500 million per year in over 6,800 neighbourhood projects, including programmes to improve the employment prospects of individuals and initiatives to tackle social exclusion.

1.2 We welcome the opportunity to submit evidence to the Communities and Local Government Committee inquiry into regeneration. There has been substantial progress in regeneration initiatives over the past decade backed by significant public investment, but this progress is being threatened by the recession and the focus on cutting the deficit. Declining property values and the withdrawal of funding from banks has undermined the viability of many developments. Many residential and commercial sites have been mothballed and others are in jeopardy as private developers nearing the limits of their financial capacity have withdrawn as partners. Despite this, the Government’s new localist approach has massive potential to develop and increase public, private and third sector partnership and help position regeneration schemes so economic growth can drive forward regeneration as we emerge from the recession.

1.3 Economic rebalancing is not just about the growth of the private sector but tackling housing market decline. The link between investment in housing and new homes to the success of the economy means that integration of economic and housing strategies are critical for successful regeneration. Investment in improving and building new homes has a direct impact on improved resident satisfaction, well-being and enhanced quality of life. The Audit Commission calculates that each £1 spent on construction in HMR areas generates £2.84 in total economic activity and each new home built equates to at least 1.25 jobs being created or maintained.

1.4 The key points in our response are:

— We are concerned that the New Homes Bonus (NHB), National Planning Policy Framework (NPFF), and the abolition of Regional Spatial Strategies may reduce affordable housing provision and result in the redistribution of funding from low to high value areas.

— The Government should reconsider a number of its proposed welfare reforms, in particular the plans to reduce housing benefit for working-age families occupying social housing and who live in households with spare bedrooms and the imposition of an overall cap on benefits.

— The Homes and Communities Agency (HCA) needs to ensure that their funding supports the delivery of new homes in regeneration areas. It is critical that these homes offer a range of tenures that meet the needs of local communities.

— Government should set up an independent advisory group to review and recommend innovative ways that local communities could use limited public funds to attract and secure private investment.

— Government should establish a Big Society Catalyst Regeneration Fund of £50 million to support local innovative pilots for piloting new ideas for pump-priming private investment in regeneration areas.

— Government should add an additional £500 million to the Regional Growth Fund (RGF).

— Local Enterprise Partnerships (LEPs) should be charged with developing a planning and housing strategy for the area they cover and have a key role in shaping and delivering regeneration.

— The Government should make a clear and compelling long term commitment to supporting regeneration, backed by a sufficient level of funding to enable private investment in regeneration to be secured.

1.5. We have attached appendices with three regeneration case studies researched for this submission.

18 Audit Commission, Housing Market Renewal Programme Review, May 2009
19 Communities and Local Government, Interventions in housing and the physical environment in deprived neighbourhoods Evidence from the New Deal for Communities Programme, March 2010
20 Audit Commission, Housing market renewal: Housing, programme review, March 2011
2. How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

2.1 Regeneration delivers targeted intervention in areas of market failure to address economic, social and environmental decline. Successful regeneration achieves positive outcomes in these areas that would be impossible without public intervention whilst delivering value for money for the public purse. Successful regeneration requires long term public commitment, collaboration between many agencies and interests and can take around 15–20 years.21

2.2 Having drastically cut regeneration expenditure to help address the budget deficit, the Coalition Government are starting from a challenging position. The withdrawal of funding for HMR has the potential to derail the substantial progress already made and means broken promises to local communities. To date the HMR programme has generated £5.8 billion of economic activity, created 19,000 jobs in construction and related industries and helped maintain over 2,600 jobs in the construction industry each year. We support the recent recommendations of the Audit Commission that:

- National government and the HCA should determine how to invest limited resources within the RGF, and any other nationally determined investment streams, to support the resilience of failed market areas.
- Local partnerships should finalise options for structural change to pathfinder partnerships, ensuring that transitional arrangements do not detract from programme delivery and agree key principles to build on pathfinder achievements to date.22

2.3 The Government’s new approach to regeneration is a localist approach, with locally driven growth encouraging business investment and promoting economic development. There are a number of key benefits that could be secured through this approach. The public sector is fundamental in tackling market failure, which needs to be supported in part by public investment. With the reduction in capital funding budgets Government is focused on removing the burden of bureaucracy and empowering local areas through reforming and decentralising, incentivising growth, removing barriers that hinder local ambitions and targeted investment.

Reforming and Decentralising

2.4 Communities and Local Government’s (CLG) publication Regeneration to enable growth sets out measures for reforming and decentralising:

- a simplified and streamlined NPPF;
- increasing local control of public finance and opening up government to public scrutiny; and
- welfare reform.23

2.5 We support the principles of empowering communities and removing the burden of bureaucracy that underpins the NPPF and the abolition of Regional Spatial Strategies. However, we have a number of fundamental concerns about the impact and implementation of these measures.

2.6 The NPPF should greatly reduce the amount of bureaucracy and unwieldy guidance that inhibits the effective operation of the planning system. We hope that the meeting of housing need and provision of new affordable homes will be one of these key objectives explicitly identified and supported within the NPPF. The NPPF should build on what we hope will be a statutory requirement for the planning system to deliver sustainable development.24

2.7 The Federation welcomes the Government’s commitment to increased levels of housing delivery and sustainable development. However, we are concerned that the abrupt abolition of the Regional Spatial Strategies has created a vacuum which our evidence demonstrates has led to the loss of thousands of planned homes. In the longer term it could result in a significant reduction in housing provision and lead to less sustainable patterns of development.25

2.8 We also support the principles and objectives of the Government’s plans for a Universal Credit in trying to simplify a complex system and removing work disincentives. However, we are very concerned by the impact of some of the proposals in the Welfare Reform Bill. Regeneration areas suffer high levels of social deprivation and unemployment so the impact of these proposals will be particularly acute in these localities. The Government should reconsider a number of its proposed welfare reforms, in particular the plans to reduce housing benefit for working-age families occupying social housing and who live in households with spare bedrooms and the imposition of an overall cap on benefits.

21 Joseph Rowntree Foundation, Regeneration in European Cities: Making Connections, April 2008
22 Audit Commission, Housing Market Renewal Programme Review, May 2009
23 Communities and Local Government, Regeneration to enable growth: What the Government is doing in support of community-led regeneration, January 2011
24 A copy of our response on the National Planning Policy Framework is available from www.housing.org.uk
25 We made a number of recommendations on this issue in our recent submission to the CLG Select Committee Enquiry into the Abolition of Regional Spatial Strategies. A copy of our response is available from www.housing.org.uk
Incentives for growth

2.9 Government has proposed a range of incentives for growth:

- Introduction of the NHB.
- Consideration of options such as granting local authorities powers to discount business rates and retain receipts.
- Amending the Community Infrastructure Levy (CIL).
- Replacing regional bodies with LEPs.
- Reshaping the HCA to provide targeted assistance to local communities and ensuring that land and property assets transferred from former Regional Development Agencies (RDAs) are used to deliver the best possible outcomes for regeneration and value for money for the public purse.

2.10 The Federation supports the principle of incentivising growth but we fear that the proposed measures will not significantly benefit regeneration areas. We are concerned about how the NHB— as currently designed— will operate in practice. The current proposals will result in a redistribution of local authority finances from low to high value areas, and generally from the north to the south. This is because funding will be withdrawn from formula grant to fund a scheme where payment is based on housing values.

2.11 We believe the CIL regulations as currently written prejudice the delivery of affordable housing through Section 106, historically one of affordable housing’s most consistently successful means of delivery. The proposed balancing act between CIL contributions and the viability of schemes that include affordable housing simply cannot be achieved with a top-sliced and mandatory CIL. The lack of provision for exceptions in CIL charging schedules means that for schemes on the margins of viability affordable housing will be reduced. Our firm view is that the NPPF should make it clear that an exceptions policy should normally form part of a CIL charging schedule.

2.12 LEPs have the potential to drive innovation and cross-boundary working, bringing together leaders from business, the third sector and government to help deliver regeneration initiatives in their areas. The Federation is pleased that Government envisages LEPs developing a strategic housing and planning role. This could help deliver many of the Government’s ambitions in relation to regeneration. We recommend that LEPs should be charged with developing a planning and housing strategy.

2.13 Following the recent transfer of land and assets from the former RDAs to the HCA there is a real opportunity to maximise the value that these assets can bring to regenerating areas. In particular, innovative use of public sector land can help attract private investment and support commercial and residential development. Innovative approaches on how this land is used to support regeneration. For example, deferred payment could help to drive economic growth.

2.14 We support the Government’s ambitions to look at creative mechanisms to encourage growth, such as allowing local authorities to grant business rate discounts and the likely announcement in the budget on the creation of ten enterprise zones. There is an opportunity to learn from the 1980s experience of enterprise zones to ensure that they deliver real sustainable growth and are cost effective.

2.15 We support recommendations that have been made by the Centre for Cities and the Work Foundation for enterprise zones that:

- There should be a range of incentives that could be used depending on local need and circumstances.
- In addition to business rate discounts, other measures to support business growth and boost employment such as reductions in corporation tax should be considered.
- Enterprise zones should be aligned with targeted investment in regeneration, skills and infrastructure to support long term sustainable growth.

Removing barriers that hinder local ambitions

2.16 To maximise the impact of growth incentives, government will remove barriers that hinder local ambitions, for example through planning reform and introducing powers that allow local authorities to implement tax increment financing (TIFs). We strongly support the steps that Government is taking to break down the barriers that inhibit economic growth and support the development of innovative financial mechanisms that can help drive forward regeneration. TIFs are one potential tool to support development and infrastructure that would otherwise be unviable and we hope that Government will help unlock the potential of other mechanisms. For example, local asset backed vehicles, regeneration bonds.

26 Communities and Local Government, Regeneration to enable growth: What the Government is doing in support of community-led regeneration, January 2011
27 Our response to the recent consultation on the New Homes Bonus from www.housing.org.uk
28 Kieran Larkin & Zach Wilcox, Centre for Cities, What would Maggie do?: Why the Government’s policy on Enterprise Zones needs to be radically different to the failed policy of the 1980s, February 2011 and Andrew Sissons with Chris Brown, the Work Foundation, Do Enterprise Zones Work?, February 2011
29 Communities and Local Government, Regeneration to enable growth: What the Government is doing in support of community-led regeneration, January 2011
2.17 A key challenge in successful regeneration is that the spatial distributions of market failures cross local boundaries. Social deprivation is inherent in communities where regeneration activity is focused. The spatial distribution of deprivation varies from small pockets within communities or across broad areas, crossing local authority boundaries. Whilst we are strongly supportive of a localist approach this should not be at the expense of cross-boundary working. Area based intervention has been shown to be one of the most effective mechanisms for successful cost-effective regeneration as long as a critical mass for investment is reached. However targeted investment should not be restricted by geographical boundaries but focus on the spatial distribution of market failure.31

Targeted Investment

2.18 Government sets out a range of targeted investments amounting to £20 billion in infrastructure that will support growth regeneration. This includes the national high speed railway, London Crossrail, the £6.5 billion housing budget and £1.5 billion RGF.32 We welcome the recent announcement of £30 million funding for the Government's national coalfield programme and the £100 million to help bring 3,000 empty homes back into use.

2.19 We also strongly supported the Governments’ decision to invest £1.4 billion in the RGF over the next three years. However, the funding falls short of what is needed to achieve significant scale in regeneration. For the first round of bidding to the RGF for £250 million and £300 million, 464 bids were received with a total value of £2.78 billion.

2.20 We understand the Fund’s focus on private sector growth and job creation in areas traditionally dependent on the public sector. But in a period of sweeping public sector cuts, we believe this remit is too narrow and ultimately short-sighted. Economic restructuring and private sector job creation are only one aspect of rebalancing the overall economy and needs to be matched by tackling housing market failure and the social and economic problems this causes. The current assessment criteria for RGF does not align with housing schemes as it fails to recognise the wider economic benefits of investment in housing. Future bidding rounds for RGF should be open to new bidders who have the potential to address the wider steps necessary to both rebalance the economy and create long-term sustainable communities.

2.21 The Government’s new model for investment in affordable housing allocates £4.5 billion to build around 150,000 new homes. It is a move towards a revenue based model with housing associations being permitted to charge up to 80% of market rents on new build and a proportion of relets. However, we are concerned that the framework will not deliver the right number of new homes or the right tenure mix in regeneration areas as in low value housing markets there is a narrow gap, or even convergence, between market rents and social rents.

2.22 Our modelling has indicated that homebuilding could fall by 53% in Yorkshire and the Humber in the next financial year, 54% in the North-East and 44% in the Midlands. The HCA needs to ensure that their funding supports the delivery of new homes in regeneration areas. It is critical that these homes offer a range of tenures that meet the needs of local communities and new supply should not be focused solely on near market rents but also include social rent, low cost home ownership and specialist and supported housing.

2.23 We believe that it is equitable that as beneficiaries of a low rent, existing tenants pay a small part of their rent to help build new affordable homes, so that others can benefit from the same opportunity. Housing associations should be able to raise existing rents between 1-3% (dependent on property type and area) as part of the investment agreements negotiated with the HCA, where the additional revenue is needed to help facilitate development under the new investment model.33

2.24 None of the Government policy initiatives outlined in Regeneration to Enable Growth are designed to deal specifically with regeneration issues, and these initiatives need to be underpinned by a comprehensive and coherent approach to regeneration policy. In an independent report for CLG in 2009, supported by recently updated research, the Parkinson Review set out how the recession has impacted on regeneration. Parkinson concluded that with banks and investors being risk averse and liquidity in the lending market significantly reduced, the financial model underpinning regeneration has been fundamentally challenged. The key risk is that cuts in public investment combined with the recession will damage confidence and potential growth, undermining the substantial progress made in regeneration. The public sector will need to maintain activity and ensure policies around other public projects are aligned with regeneration aims. The Government

30 CLG, Evaluation of the National Strategy for Neighbourhood Renewal Final report, March 2010
31 The Work Foundation, Past Recessions: What are the lessons for regeneration in the future?, January 2010 and Dr Tim Brown and Ros Lishman, Co-ordinating Regeneration: Improving Effectiveness in Local Delivery, Centre for Comparative, Housing Research, De Montfort University, Leicester, January 2010
32 Communities and Local Government, Regeneration to enable growth: What the Government is doing in support of community-led regeneration, January 2011
33 A detailed briefing on the new investment model and how it supports housing delivery (2011–15 Affordable homes programme—framework member briefing) is available from www.housing.org.uk
should play a greater role in investment in long-term regeneration, sharing both the risks and the rewards.34

3. Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on? Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

3.1 Unfortunately, it is difficult to envisage how we can mitigate the loss of public funding for existing regeneration projects. The impact is not just economic but has massive human repercussions. A key difficulty in delivering successful regeneration is community engagement and the impact of broken promises make this difficult to achieve. The case studies in the attached appendices are a stark reminder of this.

3.2 We have outlined the limitations of government regeneration policy above and set out measures that would help address these limitations. Many regeneration schemes, and private sector confidence and commitment, are being undermined by the current policy vacuum. Government needs to ensure that it moves swiftly to put in place a comprehensive and holistic regeneration policy that builds on the success of past regeneration initiatives such as HMR and the New Deal for Communities (NDC). A localist approach is the right one but it needs to be supported by sufficient access to public funds and a long-term commitment that lasts beyond the term of one government. Otherwise, the Government’s desire to rebalance the economy will not be delivered.

Human Impact of Withdrawal of HMR Funding Newington St. Andrew’s, Hull, The Smith Family

Pensioner Mrs. Smith has set her heart on one of the brand new, energy efficient homes being built by Keepmoat Homes at St. Andrew’s Square, part of Gateway’s regeneration programme for Newington St. Andrew’s, Hull. Despite suffering from arthritis and breathing problems, Mrs. Smith is the main carer for her gravely ill partner and her eight year old granddaughter, who attends the local primary school. She is an active member of the community, regularly raising money for cancer charities and getting involved in all aspects of local life.

Despite being just a stone’s throw away from the smart new homes at St. Andrew’s Square, the Smith family is currently living in some of the worst housing conditions in the city. Their property is cold and damp, and is one of a few still occupied in the street. Mrs. Smith is pinning all her hopes for a better future for her small family on the move to St. Andrew’s Square. With no HMR funding available to purchase her property, Mrs. Smith will be told this week that her move can no longer go ahead.

(See appendices for a case study of regeneration in Hull).

4. What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

4.1 There is an extensive body of literature available on the lessons to be learnt from regeneration projects. We would suggest these align with four key themes:

4.2 Regeneration is about places and people—successful regeneration needs to be underpinned by a strategic approach with clear objectives and policies for addressing skills and worklessness, infrastructure investment (including housing and improving the physical make-up of neighbourhoods), support for business growth and work within spatial markets, not geographical boundaries.35 Government is putting in place a number of tools, such as NHB and a welfare system where work pays, that have potential to support regeneration where they are integrated with a comprehensive regeneration policy.

4.3 Housing market failure—housing market intervention is central to successful regeneration, changing both the physical nature of a community and the profile of the people who live there. Investment in improving and building new homes directly improves resident satisfaction and well-being, quality of life and satisfaction with the neighbourhoods. Critical to successful housing market intervention is engagement and partnership working with housing providers. The benefits secured are well evidenced but are long term and likely to take more than a decade to become apparent.36

4.4 Community led regeneration is critical to success but in a partnership approach—successful regeneration schemes work with the community to set objectives and set out how they can shape the project as it moves forward. It is vital to manage expectations as communities can have unrealistic expectations and perceptions


35 For example see Parkinson, Professor Michael CBE et al, The Credit Crunch and Regeneration: Impact and Implications: An independent report to the Department for Communities and Local Government, Institute for Urban Affairs, Liverpool John Moores University, January 2010 and The Work Foundation, Past Recessions: What are the lessons for regeneration in the future?, January 2010

36 Communities and Local Government, Interventions in housing and the physical environment in deprived neighbourhoods: Evidence from the New Deal for Communities Programme, March 2010
of benefits. Communities want to shape regeneration but often don’t have the interest or skills to oversee the delivery of projects. The public sector needs to take a lead role and LEPs could potentially become a catalyst to coordinate a big society approach to regeneration. For example, much of the success of pathfinder schemes is attributable to allowing local communities and their partners’ relative freedom to develop strategies to meet local demands.

4.5 Long-term commitment needed—long-term commitment from government (including long term funding) to regeneration is critical for success. It is also fundamental to attracting private sector investment. The high national profile of the HMR programme was seen as a reassuring and powerful force in drawing developer interest to otherwise unattractive areas. The 2011 Audit Commission review of HMR is clear that the “untimely and premature ending of this programme” when there still needs to be continued public investment to build on progress means broken promises to communities and a legacy of uncompleted projects.

5. What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

5.1 We recommend that the Government:

— Set up an independent advisory group to review and recommend innovative ways that local communities could use limited public funds to attract and secure private investment and examine what barriers need to be removed to support this. This should include a review of a risk sharing approach between the public, private and third sectors. For example, deferred payment on public land, local asset backed vehicles, loan guarantees and regeneration bonds.

— Establish a Big Society Catalyst Regeneration Fund of £50 million to support local innovative pilots, steered by LEPs, for piloting new ideas for pump-priming private investment in regeneration areas. Lessons from these pilots should be shared across all regeneration schemes.

— Add an additional £500 million to the £1.4 billion already allocated for the RGF over the next three years. This new funding should be open to fresh bidders with broader criteria.

— The HCA should ensure that the new affordable housing programme and funding support helps housing associations continue to deliver new homes and refurbish existing homes at scale in regeneration areas. This should include innovative use of public sector land in regeneration areas.

— LEPs should be charged with developing a planning and housing strategy for the area they cover and have a key role in shaping and delivering regeneration.

— The Government should make a clear and compelling long term commitment to supporting regeneration, backed by a sufficient level of funding to enable private investment in regeneration to be secured.

6. How should the success of the Government’s approach be assessed in future?

6.1 Fundamentally the success of Government must be judged against their ambition of “putting residents, local businesses, civil society organisations and civic leaders in the driving seat and providing them with local rewards and incentives to drive growth and improve the social and physical quality of their area”.

6.2 At the outset of regeneration projects systems should be put in place that effectively monitor and measure progress whilst minimising any reporting burdens. It is important that value for money measurements are not be narrowly defined and it is accepted that it may take more than a decade before this can be properly measured.

6.3 We support the Government in its efforts to minimise reporting requirements by putting in place a single list of data reporting. These should be used to measure progress, ensuring that proposed measures are accurate indicators of progress in regeneration areas. Over recent years the Index of Multiple Deprivation (IMD) in particular has become the best national measure of area deprivation.

March 2011

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38 Shelter, Policy briefing: Housing Market Renewal, June 2009 and House of Commons Library, Housing Market Renewal Pathfinders SN/SP/5220, 8 February 2011
39 Communities and Local Government, Evaluation of the National Strategy for Neighbourhood Renewal Final report, March 2010
40 Communities and Local Government, Key messages and evidence on the housing market renewal pathfinder programme 2003–09, 2009 and Communities and Local Government, Housing market renewal and private sector developers, October 2009
41 Audit Commission, Housing market renewal: Housing, programme review, March 2011
42 Communities and Local Government, Regeneration to enable growth: What the Government is doing in support of community-led regeneration, January 2011
43 CLG, Value for money issues and the evaluation of the housing market renewal pathfinder programme, 2009
44 Communities and Local Government, Evaluation of the National Strategy for Neighbourhood Renewal Final report, March 2010
Written evidence submitted by Cumbria County Council

Summary

— Cumbria County Council welcomes Government recognition that regeneration can be at the heart of driving economic growth and supporting communities. The Council also broadly supports the approach taken by the Government in Regeneration to enable growth.

— The overall ethos of involving communities in their own regeneration is in tune with the way in which the County Council has long tried to work with its local residents and communities. It is an approach that works but for many communities requires long term and committed ongoing support by local authorities and other public bodies.

— However, the County Council has some reservations about the viability of some of the measures outlined in the document, particularly where they will entail significant capacity-building on behalf of local authorities or infrastructure organisations.

— The Council also has some specific concerns about the likely effectiveness of some of the initiatives such as the Community Infrastructure Levy, and whether they will be able to stimulate regeneration in areas of market failure, which exist in parts of Cumbria.

Question—How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

General Overview

To answer the second part of the question first, it would seem intuitively that if communities and neighbourhoods are more involved in the articulation of their needs and the planning of solutions to those needs, that those solutions would be more effective, and that the community would have a greater stake in its success. However, there are two areas of reservation to this approach, firstly, that of context, and secondly, that of expertise. There are also some specific concerns over some of the initiatives within the document.

Cumbria County Council is pleased that the Eden Valley has been selected to be one of the Big Society vanguard areas, and this will prove illustrative as it is the only vanguard area that is not led by the local authority but by the community itself. Many of the activities being undertaken by groups in Eden have been in development for a number of years, and represent local solutions to identified needs. Eden is fortunate in that it has a demographic profile with the skills and time required to develop plans for initiatives such as a community pub. In other parts of Cumbria, local authority officers are active in working with less engaged communities to identify issues and solutions. This public sector resource and funding support is essential and must be maintained if communities are expected to successfully deliver local solutions.

Context

In terms of context, many of the measures described in the document are to be supported, but may not be useful to citizens when taken out of context. For example, the policy of transparency means that local authorities must publish full data on expenditure, to “ensure people can have a clear view of what is being spent and where”. It is questionable whether this information will actually serve any purpose when taken in isolation—eg it may be difficult for a citizen to estimate whether a council’s expenditure on, say, social care is inadequate or excessive.

Whilst the proposed reduction in bureaucracy and simplification of the planning system is to be welcomed, there is nonetheless concern that there might be some adverse and unintended consequences. It is recognised by the planning profession generally that the LDF system put in place post 2004 has been extremely time consuming, resource intensive, and over-complex compared to the old style Local Plan process. Yet, it is most important that a statutory plan-led system is retained in order to deliver much needed new development, and that it remains transparent and accountable. The plan-led system has historically given surety to the development industry (including the banking system), to local communities, and to Local Authorities.

Any moves towards planning by appeal, as seen pre-1991, could lead to far greater uncertainty and unsustainable planning outcomes, which may ultimately delay new development coming forward. Reassurances from Ministers still seem to indicate the primacy of the Local Plan, although the ‘presumption in favour of sustainable development’ as referred to in the Localism Bill, would seem to contradict the plan-led system.

Expertise

It would seem that the solution to this question of context lies in the Local Enterprise Partnership, as the body to set local priorities and identify the right spatial level for interventions. The County Council helped to lead the Cumbria LEP submission and is committed to making it a success. However, given that LEP’s have no statutory authority, no operational funding, or guaranteed access to project finance and are still in an embryonic stage, the future effectiveness of LEPs in driving forward the desired levels of growth must remain uncertain for the time being.

The document conflates the role of the LEP, the local authority and the citizen. The result of this is an assumption that there will be expertise available within the local authority for the LEP and the citizen to make
use of. How else will it be possible for people to navigate the planning safeguards of the Localism Bill, set up successful social enterprises, or engage deprived communities, without the advice and intervention of the local authority? The onus is then on the local authority to have officers available for these purposes, which may be challenging in this public sector funding climate.

Localism Agenda

In terms of local buy-in, the localism agenda, including the incentives for growth such as the New Homes Bonus and Community Infrastructure Levy, may assist the delivery of new development that better meets local aspirations, and reduces protracted local objection. However, it is now clear the Local Development Framework, or Local Plan, will still be the principal statutory planning policy document, and any "Neighbourhood Plan" will need to be in conformity with it, have been through an independent inspection, received local referendum support, as well as being in line with the new National Planning Policy Framework, and be mindful of planning caselaw. It may be concluded from this that expectations about what communities can actually do in terms of "local" planning might be unfairly raised, particularly as this will still be subject to external factors beyond the control of the planning system, such as the state of the local market and national economy; financing; legal constraints; and the willingness of developers, investors and landowners.

New Homes Bonus

It is possible that the New Homes Bonus will mostly benefit areas around large metropolitan centres, where growth can be more easily accommodated, and where land prices and development values are higher. Since the NHB is based on an average band D property, it will be of more benefit to the south of the country, rather than weaker northern housing and commercial markets, and is more likely to give incentives to Local Authorities to support larger type housing on greenfield sites, rather than help to address urban regeneration on difficult, and contaminated brownfield sites. This criticism has also been made by the Local Government Association and others in responding to the NHB consultation in late December 2010.

Community Infrastructure Levy

Likewise, the future Community Infrastructure Levy (as in S106 already) is expected to be less effective in areas of weak property markets, and where regeneration of brownfield contaminated sites is a high priority. Other avenues, such as the use of Local Asset Backed Vehicles or Tax Increment Financing might be more appropriate in these locations, although again the development values derived from LA-owned land in failing market areas may limit the potential of these opportunities. The future business rate value derived from TIFs may not provide the solution in risky investment environments.

Inevitably there will be uncertainty over the likely effectiveness of any new initiatives. It is not clear whether the areas most in need of regeneration, particularly those areas of structural and long term decline will benefit from the government’s approach, as defined in this document. It is important that the new measures are carefully monitored to evaluate their effectiveness.

Question—In particular:
  — Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on?
  — Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

Agent

The message of the document is very strongly that it is up to local partners to take charge of their own regeneration. Again, it is unclear whether the agent of this is ultimately the LEP, the local authority or the community or individual. Whether or not these bodies will be able to build on past regeneration projects is not determined by the document in itself, although it is useful to have a summary of the support available.

Sources of funding

Sources of proposed public funds for major infrastructure projects are contained within the “nearly £20 billion of central government investment”, of which £8 billion can be identified as being for London only. Of what is left, the only source of discretionary funding is the Regional Growth Fund, which is specifically for increasing private sector jobs, rather than longer term area based regeneration programmes. While a vibrant and expanding business base is necessary for the regeneration of deprived areas, it will be a challenge for local partners to ensure that this is aligned with other regeneration outcomes. There is a real concern that a large number of major regeneration projects in design or currently partially underway will not be completed due to the public sector funding gap created by the demise of the RDAs.

There is also concern for Cumbria around the lack of focus on rural regeneration. The Community Right to Buy and the Community Asset Transfer may be helpful in supporting local communities to save local facilities. However, external factors relating to financial and legal viability and the state of the local market may have a bearing on final outcomes in these cases.
A s far as other sources of funding, there is no certainty within the document that particular areas or priorities will secure any support. Many of the resources for local authorities are undetermined. For example, the Local Government Resource Review will report by July, and may “allow authorities to receive direct benefits for increases in their business rates”. The exact level of income from this, and other schemes such as the Community Infrastructure Levy, Tax Increment Financing and New Homes Bonus, is as yet unclear. It is accepted that the continuation of the Homes and Communities Agency is likely to aid a more cohesive approach in the delivery of affordable housing and regeneration and this is welcomed.

VCS/Social Enterprises
Coupled with this, funding for VCS organisations is primarily derived from financial products such as Community Shares, Social Impact Bonds and Big Society Bank. These initiatives either imply that the organisation is doing something from which it can derive an income, or that it is delivering a service that will have measurable future benefits to society. This is not a foregone conclusion for many third sector organisations, particularly in the arts and culture. Their contribution to community and individual wellbeing is undeniable, but whether this can be measured in a form equivalent to future savings to public expenditure is open to question.

Despite this, social enterprises in Cumbria are interested and positive about the scope offered by Social Impact Bonds in particular, and it promises some real innovation in delivery. The concern of the social enterprise, and voluntary and community, sectors in Cumbria is over the lack of funding for infrastructure organisations. These organisations offer a much-needed service to enable capacity-building, and help with the process of bidding for contracts and putting together business plans. Support for the continuation of these infrastructure organisations is vital to enable charities and social enterprises to bridge the gap between the end of grant funding, and the new financial funding methods becoming a viable option. It may well be that a number of organisations do not have the resources to survive this transitional period, which will have a negative impact on vulnerable individuals and communities.

Question—What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

From a planning point of view, it is recommended that the Government retain the plan-led system, but reduce the complexity of it so that plans can be put in place in shorter timescales, whilst recognising the need for strong evidence bases to support the policies.

More generally, some useful principles may include:

— Clarifying the governance structure: as described above, Regeneration to enable growth lacks clarity around the roles of the local authority, LEP and citizen. This situation is not helped by the lack of clear guidance for the legal status and statutory obligations of the LEP. Although Ministers have given assurances about their willingness to transfer power to the LEPs, local political difficulties would be easier to resolve with statutory reinforcement.

— Where regeneration projects have been effective in Cumbria, project managers have worked closely with a local community to develop and refine the specific measures that will have the most impact on that neighbourhood, and their quality of life. This would reinforce the ethos of Regeneration to enable growth, but of course has entailed the time and dedication of a range of agencies, which is not determined by the document. For example, in Maryport in West Cumbria, the County Council has worked with local funding partners to make a number of improvements designed to increase inward investment, and boost business and tourism in the town. These include the development of a Business Centre, the creation of a coastal park from an old coal wash site, and the development of a master plan for the Harbour. The clear lesson here is that to be effective regeneration must be holistic in its approach and coverage. It must also be long term, as there are no short term fixes for disadvantaged areas faced with structural decline.

— Whilst challenge funds can drive up value for money and help maintain quality, competitive bidding can be time consuming and wasteful of resources.

— New funding initiatives should be kept as simple as possible, minimising bureaucracy, red tape and delays. Compliance should be proportionate to levels of funding received and Government must be prepared to accept certain levels of risk if communities are expected to be fully engaged and maintain their long term involvement.

Question—What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

(a) The Government’s approach to partnership working is innovative, and it is hoped that it will produce significant gains in terms of maximising the effectiveness of available funding, and ensuring local partners are well-coordinated in their priorities and actions. The Government appears to be committed to encouraging local partners to work more closely together, and the outcome of pilots such as in worklessness co-design and community budgets is keenly anticipated, to see how this operates in practice.
These initiatives represent the use of existing, limited, resources. The impact of the withdrawal of Regional Development Agency funding in an area such as Cumbria is acute, and has a direct impact on schemes that have started delivery on the ground, but which may not be completed. The only other source of additional funding is from Europe. The Government must ensure that its commitment within the document to ‘encourage alignment, where possible, with £1.4bn of European Regional Development Funds that remain to be committed under the current programme’ is followed through. The indication that European Social Funding will be targeted at those not supported by the Work Programme is to be welcomed.

Other possibilities are to identify local initiatives, such as assessing the County Council’s assets, and using them through LABVs to generate development potential.

(b) Private sector involvement is a key thread of much current government policy. The private sector is under pressure to create jobs, invest in skills and play a role in influencing strategic development through the Local Enterprise Partnerships. The reward for business is the opportunity to shape local communities where there will be higher skilled, healthier employees, who will drive future productivity. The Government has a role to play in communicating the importance of this opportunity to business, which may encourage them to make a greater contribution to regeneration schemes.

The example of the Nuclear Decommissioning Authority and Nuclear Management Partners in West Cumbria may be a useful one for Government to use to illustrate the potential of this role to other private sector organisations. The NDA and NMP have played a key role in developing and contributing towards the regeneration of West Cumbria, in partnership with the local authorities, and are committed to tackling issues of worklessness and low skills, among others, in that area.

In contrast, Cumbria has a high proportion of small businesses, who may struggle to contribute financial or other resources to regeneration schemes. 85% of businesses in the county employ 10 or fewer employees, and just 2.6% of workplaces have more than 30 employees (source: Cumbria Economic Assessment 2010). These small organisations are already experiencing a challenging economic climate—in the 2010 Cumbria Business Survey, the percentage of small businesses with a higher profit margin on the previous year was 22%. It is unrealistic to expect any significant levels of SME funding into regeneration when margins are tight and many businesses are struggling to recover from the recession.

Regeneration to enable growth mentions several financial products, which should serve to unlock private sources of finance for public gain, such as Community Shares and Social Impact Bonds. As above, the implication of these products is that the organisation can produce a return on that investment, which may be in terms of future savings to society. In the case of the third sector organisations or social enterprises, this return is often difficult to measure, particularly in the arts and cultural sector.

One solution may also be for the Government to encourage financial institutions to make greater investments in local communities, and expand their Corporate Social Responsibility programmes so that they are more co-ordinated with local priorities established through the Local Enterprise Partnerships. For example, the Northern Rock Foundation has historically provided a high level of funding for organisations working in deprived communities in Cumbria.

Question—How should the success of the Government’s approach be assessed in future?

The County Council has welcomed the Government’s commitment to dismantling over-bureaucratic systems of measuring performance, in particular the system of Comprehensive Area Assessment and Local Area Agreement, as well as the National Indicator set. Assessments of future success can be partially determined locally determined, making use of locally identified measures. Of course, the danger with all measures becoming locally determined is that it becomes impossible to define progress in a sub-national or national context.

However, there are some measurements that could be used as comparators, for example, the number of developments, the number of Neighbourhood Plans, and the length of time taken to approve Neighbourhood Plans and resulting development. This would give a useful indication about the effectiveness of measures designed to reduce bureaucracy.

The recent research report Who is ready for the Big Society (Sutcliffe, R & Holt, R, Consulting Inplace, February 2011) provides a useful basis for measuring change, taking its source from N16—proportion of the adult population participating in regular, formal volunteering; N13—proportion of the adult population who say they have been involved in decisions that affect their local area in the past 12 months; N14—proportion of the adult population who agree they are able to influence decisions in their local area; and from the Place Survey, proportion of respondents who say they would like to be more involved in the decisions that affect their local area. Clearly, the National Indicators won’t be available, but if local partners are able to find a suitable proxy, or a measure from the Single Data List, this would provide a means of tracking the effectiveness of Regeneration to enable growth. Some of the National Indicators for housing (N1154 and N1155) have been particularly useful.

Other ways of evaluating the success of the Government’s new approach is to measure progress against the Coalition’s key objectives of private sector growth and rebalancing the economy e.g. private sector jobs created, private sector investment, export led manufacturing.
The proposal announced elsewhere to measure success through including additional softer, social criteria, as well as the traditional economic criteria like GVA is welcomed. The proposal to construct a "well being " or "happiness" measure which will be included in the Treasury’s Green Book appraisal should give greater weight to social outputs which in the past have been given less emphasis in cost /benefit analyses.

March 2011

Written evidence submitted by the Joseph Rowntree Foundation

THE FOUNDATION

The Joseph Rowntree Foundation (JRF) is one of the largest social policy research and development charities in the UK. For over a century we have been engaged with searching out the causes of social problems, investigating solutions and seeking to influence those who can make changes. JRF’s purpose is to understand the root causes of social problems, to identify ways of overcoming them, and to show how social needs can be met in practice. The Joseph Rowntree Housing Trust (JRHT) shares the aims of the Foundation and engages in practical housing and care work.

SUMMARY

— “What Government is doing to support community led regeneration” lacks detail and clarity, particularly in terms of the delivery arrangements at local level.
— Beyond promoting a more locally led approach it is not clear how lessons from the past are being drawn on or how existing successful initiatives/mechanisms will be developed.
— There are a wide range of lessons that can be drawn from community based regeneration including the need for a clear policy framework and the need to tailor policies to capacity at the local level.
— JRF is concerned that the proposals may lead to reduced levels of integration of public funding and reduced co-ordination in delivery at local authority and sub-regional levels.
— There is too much focus on “people” and a lack of emphasis on the importance of place-based interventions, particularly in the most deprived areas.
— JRF is concerned that incentives favour more prosperous growth areas at the expense of more deprived places. This risks increasing the gap between deprived and affluent communities and also risks creating a spiral of decline in certain deprived areas.

1. Introduction

1.1 Our evidence base

JRF has carried out a wide range of research and demonstration projects in the field of regeneration covering a range of perspectives—economic, environmental and social, including extensive research into community based regeneration. Our research spans several decades, and numerous government approaches to developing and delivering effecting regeneration, primarily focussing on poor neighbourhoods. This submission draws on evidence (available on our website) from a number of key research programmes including:
— Poverty and Place programme (2008–11)—exploring the interaction between poverty and location including recent projects such as “Work and worklessness in deprived neighbourhoods” and “Communities in recession”.
— Transforming Places: effective strategies for places and people (2007–10)—exploring how we can better support the regeneration of disadvantaged areas.
— Rebalancing Local Economies (IPPR Oct 2010)—exploring how economic opportunities for people in deprived communities can be widened.
— Action on Estates programme (1992–95) looking at the role of residents and community bodies in regeneration;
— Area Regeneration Programme (1995–2000) taking a broader look at the causes of deprivation, and at the role to be played by governments at different levels;

1.2 Comment

In general terms we believe that the "Regeneration to Enable Growth” publication underplays the importance of the regeneration sector, and the contribution it makes to creating socially and economically sustainable communities.

Also, the document lacks detail in key areas:
— No attempt is made to define regeneration (and specifically what is meant by community led regeneration) or explain why and where it is needed most.
— No analysis is presented of the current regeneration environment and the key challenges it faces.
— No evaluation is provided of previous regeneration policy and initiatives. Beyond promoting a more locally led approach, it is not clear what, if any, of the lessons from the past are being drawn on. All JRF’s work in regeneration confirms the view that a clear knowledge of what has gone before, and of what currently exists, is a key requisite for planning successful future work in communities.

These weaknesses generate a somewhat confused picture and can be contrasted with the Scottish Government’s recent regeneration discussion paper (Building a Sustainable Future) which provides a more comprehensive assessment of previous and current regeneration initiatives and the future role for the sector.

1.3 Structure of response

Our response is structured around our evidence base. It highlights key challenges to the government’s proposals and draws out important lessons, from research and practice, relevant to the inquiry:
— Section 2—Transforming places and regenerating local economies.
— Section 3—Lessons learnt for community led regeneration.
— Section 4—Implications of proposed localism reforms for regeneration.
— Section 5—Concluding remarks.

2. Transforming Places and Regenerating Local Economies

2.1 Understanding the importance of place based interventions

Current Government policy tends to focus on people rather than places. The importance of place must be recognised in all facets of government policy to reduce the risk of deprived neighbourhoods being left behind. In the absence of mainstream area based intervention, programmes must be used to drive improvement in deprived neighbourhoods, especially those with concentrations of worklessness.45

JRF’s Transforming Disadvantaged Places programme explored poverty and deprivation in the context of “place” and regeneration policy. Research undertaken in this programme made it clear that debates about whether to focus on place or people interventions impose a false divide. The social equity principles of sustainable development require effective, interlinked approaches across social, environmental and economic domains at all spatial tiers of governance.

The research concludes46 that a more integrated approach to tackling disadvantage, connected across the different spatial levels of governance, and between the different agencies involved in people— and place-focused actions, seems to be essential for greater success in improving the prospects of deprived places and the people living in them. Deprived places and the people who live in them are not homogenous: the labour market challenges posed by a highly stable, largely homogeneous white population that has experienced intergenerational unemployment in a former coalfield area are quite different from those of an ethnically diverse, younger and more transient population living in an inner-city area.47

2.2 The spatial dimensions of worklessness and risks of residulisation

The Government’s primary approach to tackling worklessness is to make work pay via the introduction of the Universal Credit. While this is an important component of tackling worklessness, other key factors influence people’s ability to take up work—including vibrancy of local economy, availability and accessibility of jobs, travel horizons, and mobility. Therefore, the single work programme must incorporate resources to fund flexible and innovative wrap around schemes for neighbourhoods with concentrations of worklessness. Proposed initiatives geared towards increasing personal mobility offer the potential to open up economic opportunities to a greater number of people. However, such initiatives need to be balanced with continuing effort to improve deprived neighbourhoods, in order to avoid residulisation effects whereby certain areas experience increasingly high concentrations of worklessness and deprivation, creating a spiral of decline.48

Current economic development strategies focus on economic restructuring and job creation, especially through inward investment. But job creation alone fails to address the economic fortunes of people in deprived neighbourhoods. The trickle-down theories of the 1980s are long discredited by the persistent, growing inequalities within urban areas experiencing substantial economic success; London being a case in point.49

45 Rebalancing Local economies—IPPR—JRF—October 2011.
48 Rebalancing Local economies—IPPR—JRF—October 2011.
Understanding the function deprived neighbourhoods play in wider housing and labour markets is also critical. Concentrations of workless households, for example, may have their cause at a wider spatial level and be linked to complex economic relationships across wider sub-regions or city-regions relating to transport availability and commuting patterns as well as labour markets. Cross boundary solutions are required to tackle these issues. Local Economic Partnerships (LEPs) offer a potential vehicle for local authority collaboration and it is therefore essential that LEPs are able to access and influence the powers and resources to drive forward sub-national economic development and that there is a strong interaction between strategy and delivery at the functional and neighbourhood levels. LEPs should seek to integrate work to tackle deprivation alongside initiatives to promote economic growth across their functional economic areas. It will also be important for LEP’s strategies and powers to develop within an appropriate accountability framework.

2.3. The importance of qualitative intelligence in developing effective responses

Our research has also highlighted the limitations of a purely statistical approach to identifying issues, barriers and solutions to enhancing the socio-economic status of individuals in deprived communities. Effectively monitoring change and the impact of initiatives can also not be measured by statistics alone. Developing qualitative intelligence is critical to informing effective regeneration strategy (http://www.jrf.org.uk/reporting-poverty/experiencing).

2.4 Summary

Although the extensive tables appended to the “Regeneration to Enable Growth” detail a range of resources to be drawn on from various Government departments, the report offers no clues about how these resources might be co-ordinated or prioritised, other than to suggest that residents, local businesses, civil society organisations and civic leaders (as opposed to central or regional government) are “in the driving seat.”

JRF understands that the Government is trying to distance itself from the “command and control” mode of previous administrations, which it considers to have been ineffective. However, the proposed arrangements risk creating a void in strategic planning and co-ordinated delivery. As evidenced above the co-ordination of funding and delivery across the public sector and alignment of this to private and voluntary sector activities is a central plank of successful regeneration. There are also important spatial dimensions associated with tackling worklessness, not least the need to understand the linkages between neighbourhoods and the wider functional economic area.

The importance of joined up placed based interventions—economic, social and environmental—in regenerating deprived neighbourhoods must not be underestimated. We are concerned that the proposed “hands off” approach to regeneration may lead to the residulisation of poor and vulnerable groups in increasingly concentrated areas of deprivation.

3. KEY LESSONS IN SUPPORTING COMMUNITY LED REGENERATION

3.1 Implementing a supportive framework for regeneration

JRF’s Neighbourhood Programme stressed the importance of mechanisms that can provide support, advice and appropriate resources to community bodies engaging in regeneration. In deprived communities this support is crucial and will often make the difference between whether local residents and their organisations can participate or not. Support of this kind does already exist and is provided sometimes by voluntary bodies, and sometimes by local authorities. Recent stories in the media have illustrated that key neighbourhood services are already being affected by spending cuts, and that as a result jobs, skills and also the volunteers supported by such work are in danger of being lost. In order to rectify the potential losses to community-based regeneration, it is suggested that ways should be found to ring-fence funds for these support services, or at least to provide bridging funds until alternative sources of funding can be found.

Community regeneration needs support from local and central government. Lessons from the JRF supported Sustainable Urban Neighbourhoods Network, JRF’s Working in Neighbourhoods project in Bradford, as well as from much of JRF’s research on community-based regeneration, confirm that community empowerment and community engagement, while necessary components of good regeneration, are not sufficient in themselves. Such work does not thrive in a policy vacuum, and needs support from players at other levels of government. Local authorities and their partners play a key role in setting overall priorities, providing an overarching framework for planning, overseeing broader policy issues (for example the appropriate location for new housing, transport, and inward investment). National governments have a role in setting national priorities, ensuring consistency and continuity of practice where necessary, offering additional resources to deprived cities and regions, and adjudicating on issues that cannot be resolved in localities.

51 Rebalancing Local economies—IPPR—JRF—October 2011.
53 Liz Richardson Interim report of the Bradford Working in Neighbourhoods project JRF forthcoming.
3.2 Tailoring opportunities to the capacities of community groups

The proposed devolution of powers has been welcomed by some local practitioners, and JRF itself supports a sensible reduction in unnecessary protocols, and the freedoms to experiment and innovate that would flow from this. JRF does have reservations though both about the nature and scale of some of the powers that are apparently to be transferred to communities, and about the ways that such transfers will play out in practice on the ground.

JRF research (for example its Action on Estates programme)\textsuperscript{54} into how to engage poor communities in the work of regeneration, shows that this works best when the projects and responsibilities are tailored to the priorities and capacities of community groups. It works less well when community groups are directed towards issues that are actually priorities for governments. The options or powers for communities outlined in the CLG document tend to be substantial (buying assets; running services; drawing up neighbourhood plans; developing new housing). In practice, neighbourhood groups are often keen to take on smaller projects: play groups; youth clubs; helping older people with their gardens; or organising sports activities. Activities like these play an important part in regeneration, and are a good way of involving people in broader issues. Although the CLG document lists a number of resources for community groups, it says nothing about the importance of encouraging such lower level but crucial activities.

All JRF research on community based regeneration shows that there is great variability in the resources and capacities of community organisations. A few are well funded and staffed. The majority command minimal resources and are dependent on the energies of a few volunteers. Some of the bigger and better resourced bodies will perhaps be able to gear themselves up in order to take on some of the substantial powers and opportunities listed in the CLG paper. Others will not be able to do so, or will choose not to. It should also be remembered that access to these new powers is likely at times to be contested. A local group that thinks it can deliver will find itself up against a larger competitor: a developer, or a well-heeled local partnership, with more resources, with dedicated staff, and also the ability to undercut the prices offered by the smaller community body. In scenarios of this kind, the bigger bodies may often win. This likely eventuality provides a further reason for Government to use the words “community led” more judiciously. Few things will disillusion communities more than the realisation that these words actually mean “private sector led” or “local authority led.”

3.3 Prioritising or ring-fencing resources for deprived communities

JRF’s Bradford Working in Neighbourhoods project has illustrated the difficulty of achieving open discussion at the local level about how to prioritise the allocation of resources between deprived and less deprived areas. Some of the difficulties are political but others relate to the challenge of distributing scarce resources in a fair way. In addition, the reluctance of developers and other private sector bodies, in the current economic climate, to invest in poor neighbourhoods without subsidy, is well known. A likely scenario under the current plans is that regeneration will tend to happen only in growth areas, prime city centre sites and other locations where there is some prospect of profits for the private sector. The danger therefore is that regeneration in truly deprived communities will either be insignificant or simply not happen at all. Research in 2009 by JRF\textsuperscript{55} confirmed that, in deprived communities, recessions bite deeper and last longer than in other communities. The CLG report is silent on this issue, and on what plans there are for those poor communities which will find themselves unable to access resources for regeneration in the foreseeable future. Government must consider ways of ring-fencing resources for deprived communities to ensure that their urgent needs are not passed over.

3.4 Sharing learning and best practice

“Sound analysis at all levels”, JRF’s national Area Regeneration Programme\textsuperscript{56} stressed that successful regeneration is highly dependent on shared analysis and learning, not just within regeneration partnerships working at community level, but also within and between players at all relevant levels: communities, localities, regions and national players.

“Different capacities and the need for networking and support” JRF’s 2002-06 Neighbourhood Programme\textsuperscript{57} illustrated that capacity for successful regeneration and partnership can vary very significantly between different localities. There is an enduring need then for robust mechanisms enabling sharing of practice and knowledge, as well as for offering assistance to the weaker authorities. The current regeneration document offers no suggestions about how such learning, networking and mutual support might take place.

4. The Implications of Housing and Planning Reform on Regeneration— Early Concerns

JRF has recently commissioned the Town and Country Planning Association to prepare a paper on housing and planning reform (forthcoming 2011). This raises some important questions in relation to the regeneration agenda as outlined below.

\textsuperscript{54} Marilyn Taylor Unleashing the potential: bringing residents to the centre of regeneration JRF, December 1995.

\textsuperscript{55} Becky Tunstall Communities in recession: the effect on deprived communities JRF, October 2009.


\textsuperscript{57} Marilyn Taylor et al Changing neighbourhoods: the impact of “light touch” support in 20 neighbourhoods JRF, March 2007.
4.1 New Homes Bonus

The New Homes Bonus does not have a direct relationship with securing urban regeneration, and the Government has not designed the mechanism to do this. However, the New Homes Bonus is of significance to the way that major urban areas seek to renew their housing stock through comprehensive redevelopment schemes involving large-scale demolition and regeneration. Local authorities who have no net housing additions will not receive the New Homes Bonus.

While the New Homes Bonus is paid for bringing housing stock back into use, the likely effectiveness of this income stream remains open to question. If urban regeneration funding programmes from central government has been removed and council budgets are cut, then meeting the upfront costs of bringing homes back into use will be problematic. Given that the New Homes Bonus is not ring-fenced and is paid in arrears, there is a reduced likelihood of the income stream driving significant change. The model, providing money which is not ring-fenced, is likely to be attractive to cash-strapped local authorities, which presents a risk and even a likelihood that such money will be spent sustaining core services. There is also a risk that spatial plans would be modified to favour higher value housing on easier greenfield site locations as opposed to focused urban renewal.

The model is also likely to have an impact on regional inequalities. The National Housing Federation has calculated that the four northern regions of England could lose £104 million, while the five southern regions could gain £342 million. This is the product of an assumed blanket reduction in Formula Grant, matched with the highly variable spatial delivery of housing units. At the heart of the New Homes Bonus as currently formulated is a regressive financial mechanism which focuses bonus grant on areas of high market demand. While the New Homes Bonus may be a powerful incentive for local authorities it does not provide the source of any additionality which might incentivise local people by improving local services. By top slicing formula grant the New Homes Bonus reallocates monies which local authorities used to receive, which has the affect of reallocating funding from renewal areas with no net housing additions to councils with high economic growth agendas, for example moving funding from broadly northern metropolitan areas to southern districts.

Finally, the New Homes Bonus scheme must be seen in the context of other financial instruments, such as planning obligations, Section 106, and the Community Infrastructure Levy, so that funds can be pooled in an integrated manner to deliver community benefits and make the case for development. This requires a degree of co-ordination to make the most out of the funding pools available.

4.2 Affordable housing and regeneration

The “affordable rent initiative” will come into force in April 2011 for new tenancies. This has significant spatial implications in terms of the potential yield to social landlords because the difference between social rent and affordable rent varies in different parts of the country and therefore the potential income from the new regime for landlords will vary significantly.

Estimates by the Chartered Institute of Housing show that an increase to 80% of market rent (but limited to the new local housing allowance caps) will allow Housing Associations to generate an additional £1.5 billion pounds of borrowing capacity and build 15,000 homes a year. But of those, only 358 homes (around 2%) would be built annually in the North East and only 333 in the East Midlands, compared to 7,100 homes in London, nearly half of the total supply for England, and 2,158 in the South East. Therefore the use of intermediate rents to fund new social housing appears to have a strong spatial dimension producing greater yields in higher value areas.

North Star Housing Group, which owns 3,000 properties in and around Stockton-on-Tees and Middlesbrough, has calculated that affordable rent at 80% of market rent is just £13 a week higher than social rents. Based on current re-let rates, this would allow an additional rental income of just under £3 million over 10 years. The group says that even with discounts through the planning process and factoring in expected extra borrowing capacity, the new regime would only be able to fund an extra 56 homes over 10 years.

4.3 Benefit reform

In their formal response to Government the Social Security Advisory Committee concluded that the net affect of the benefit reforms would be “substantial displacement of the poorest and most vulnerable households”.

Further research by the Cambridge Centre for Housing and Planning Research has concluded that housing benefit reform is likely to have a profound impact on affordability in London. The changes will mean an immediate reduction in the number of neighbourhoods affordable to local housing allowance claimants from 75% to 51% reducing further to 36% by 2016. The remaining affordable areas are characterised by high rates of multiple deprivation and unemployment. The research study concludes that “the reforms will intensify the spatial concentration of disadvantage in the city, and increase the segregation of poor and better off households within London” (CCHPR 2011).

There are potentially significant implications for the planning system as result of large scale social upheaval within cities. In particular, sustaining urban renewal and striving for socially and economically mixed communities may be compromised by housing benefits policy which could lead to much greater social housing
needs in those areas already subject to significant deprivation and disadvantage. It is less clear what the medium and long term implications are for longer distance displacements of low incomes households.

4.4 Planning reform

Neighbourhood Planning proposals are central to the proposed planning reforms. Where they exist, Parish Councils will have neighbourhood planning responsibilities, but in other areas they will be granted to an ad hoc Neighbourhood Forum. Such forums raise concerns about certainty and accountability. The process of preparing Neighbourhood Development Orders risks being procedurally complex and costly for both councils and communities. The Department for Communities and Local Government estimate that on average Neighbourhood Plans will cost between £17,000 to £63,000. It is not clear from the Government’s proposal how disadvantaged neighbourhoods lacking sufficient resources will be able to participate in, and benefit from the potential benefits of, the new system.

5. Conclusion

“What Government is Doing to Support Community Led Regeneration” lacks detail and clarity, particularly in terms of the delivery arrangements at local level. Beyond promoting a more locally led approach, it is not clear how lessons from the past are being drawn on or how existing successful initiatives/mechanisms will be developed. JRF is concerned about the impact of these proposals on joined up regeneration initiatives and the co-ordination of public service delivery at local authority and sub-regional levels.

In a period of huge transition (in terms of both institutional architecture and funding etc) we are concerned that the Government’s proposals for regeneration do not place sufficient emphasis on place based interventions. It appears that the anticipated impacts and outcomes of the policy proposals on the most deprived areas have not been fully appraised.

These areas comprise high concentrations of disadvantaged and vulnerable groups with high levels of worklessness and health inequalities. They comprise the most fragile local economies, with limited opportunities for employment, low levels of private sector activity and failing housing markets.

The issues faced by these communities require complex place based regeneration solutions. The proposed “hand off” approach, incentivising growth and encouraging personal mobility, will not address the socio economic and environmental issues in many of these deprived areas; rather, it is likely to contribute towards their long term decline.

March 2011

Written evidence submitted by the London Borough of Newham

Introduction

1.1 The Government's publication, Regeneration to enable growth: What Government is doing in support of community-led regeneration, covers a range of new national policy initiatives but does not attempt to bring these together into an overarching strategic approach to growth and regeneration. We believe that strategic focus is vital to regenerating East London and achieving the Government's wider national ambition for UK growth.

1.2 The potential for growth in Olympic host borough area is huge and unmatched in the UK. Independent forecasters Oxford Economics have modelled that major employment-related developments could see 80,000–90,000 net additional jobs by 2030 with the gap between the sub-region’s economy and average productivity completely closed. To put this into context, if productivity and employment rates in the area had matched the average across London as a whole in 2008 at the height of the financial crisis, UK GDP would have been £7.9 billion higher and public borrowing could have been £5.5 billion lower.

1.3 However, it is also clear from this modelling that a “business as usual” approach to regeneration is no longer sufficient to deliver the levels of growth required in East London and the UK, particularly in this period of economic recovery. Without additional economic development beyond schemes and programmes already underway, East London and other areas across the country will continue to underperform relative to their full potential. We therefore welcome the Government’s consideration of its role in supporting regeneration and economic growth.

1.4 Though we support the Government’s efforts to rebalance the UK economy away from over-reliance on the Greater South East, the reality of East London’s strategic importance in the UK’s growth trajectory must be factored into any national growth strategy. We are concerned that the Government’s focus on rebalancing implies a reduced commitment to areas in London and the South East which are among the most deprived in the country; which are also dependent on a shrinking public sector economy; and which have the greatest potential to drive and generate private sector growth for the country. Any rebalancing of the UK’s economic geography will need to be a managed process that takes into account the particular circumstances of each functional economic area, and the needs of particular locations within these.
1.5 As Regeneration to enable growth notes, the Thames Gateway is the UK’s largest economic development project. Both the Government and the Mayor of London have also committed to convergence; closing the gap between East London and the rest of the capital in terms of social and economic outcomes by 2030.

1.6 We must ensure that the Government’s commitment to convergence is reflected in national policy and hope for these reasons that the Government will prioritise East London with regard to any available flexibilities or incentives intended to generate further inward investment and realise growth. With just over a year to go until the Olympic and Paralympic Games arrive in 2012, we must focus our energies on ensuring that we maximise the public investment already made in the area and realise the legacy promised to East London.

How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

2.1 If the Government is serious in its commitment to regeneration in East London, all Government policy should be checked against its impact on the ability of East London to achieve convergence and Olympic legacy for residents.

2.2 The commitment to convergence between East and the rest of London must be maintained by ensuring that national policy actively supports, and does not undermine, the convergence agenda. Though local authorities will not deliver convergence single-handedly, they do have a significant role to play—in supporting residents into jobs, and in creating a place attractive to business investment, and where people want to live, raise their families, and work.

2.3 For example, Newham’s Workplace programme has supported nearly 6,000 people into jobs since it opened in 2007; including those furthest from the labour market. Though we will continue to protect Workplace as a matter of priority for residents in Newham, the decision to cut funding to grants such as the Working Neighbourhoods Fund clearly creates even greater financial pressures on our budgets which endanger this critical work.

2.4 Newham, Tower Hamlets and Hackney (three of the five Olympic host boroughs) are all receiving maximum 8.8% cuts in funding in this year alone. In real terms, this equates to 14% of Newham’s budget for 2011–12. The transition fund money, allocated for one year only, is clearly not a solution to sustainably bridging the gap.

2.5 Newham recognises the economic realities of the current context, and the need to pay down the deficit. However, the scale at which East London budgets are being reduced this year is counter-intuitive, given the challenge for local authorities to generate legacy outcomes from the 2012 Games and other regeneration benefits to residents.

2.6 We have chosen to structure our response by highlighting particular initiatives from the new publication Regeneration to Enable Growth, which the Committee has indicated it is basing its inquiry on. However, it is worth reiterating that this does not equal a coherent national strategy to support regeneration, which we would welcome in the coming months.

Business growth incentives

3.1 We recognise that the investment environment has drastically changed in recent years, and that economic imperatives nationally mean that regeneration and development can no longer rely on simple models of capital finance from central government. We need to explore new ways to make regeneration happen, and in Newham we are very keen to test other drivers of investment and new ways to stimulate the private sector to achieve this.

3.2 In particular, we are keen to pilot one of the new enterprise zones due to be announced in the budget; take early advantage of business growth incentives such as discretionary business rates and tax incremental financing; and work with Government and the private sector to deliver growth and Olympic legacy.

3.3 A specific opportunity exists within Newham in the Royal Docks to create such an enterprise zone. The Royals were not part of the Enterprise Zone established by the London Docklands Development Corporation in the 1980s, and suffered as a consequence. A package of capital and revenue based incentives could be developed as a catalyst for private sector led investment, development and regeneration; accelerating the development of the Royals to its rightful position in the economic landscape of London. This area could comprise part of a growth corridor in East London, linking with and supporting the delivery of the Prime Minister’s vision for “Tech City” from Old Street to Stratford and the Olympic park; with additional growth and a distinct complementary offer to investors.

3.4 The recent report by the Centre for Cities think tank on enterprise zones suggested that incentives only provide successful attraction factors for business in areas with real potential for growth—with particular reference to areas on the urban fringe with good transport connections. The Royal Docks lies within close proximity to the City of London and Canary Wharf; with enviable transport connections across London soon to be enhanced through Crossrail, and international connections through City Airport and Stratford International station. It suffers from none of the disadvantages of other parts of the capital in terms of availability and value for money of commercial space. With the 2012 Olympic and Paralympic Games coming to the borough next year, we believe there is a compelling case for investment.
3.5 The Royal Docks in Newham is central to the Green Enterprise District. Launched by the Mayor of London last year, the aim is for the District to be a destination for inward investment by the low carbon sector as well as a place for showcasing sustainability, with a particular focus on R&D.

3.6 Business growth incentives would be valuable in unlocking the growth potential of this area, and we urge the Government to ensure that this area is not precluded from eligibility—as has been the case with the recent National Insurance holiday for small businesses, from which the whole of the South East was excluded. We recognise the aim of the Government to rebalance the UK’s economy away from London and the South East, but would argue that East London in particular should eligible for any additional stimulus intended to generate further inward investment.

MDC and changes to arrangements in London

4.1 We welcome the Government’s commitment to simplifying the institutional architecture of regeneration initiatives in East London and the Thames Gateway. We look forward to working with the Mayor of London and the Government on the shape and structure of the new Mayoral Development Corporation to make investment simpler and less bureaucratic. This approach is to be welcomed.

4.2 The Local Growth White Paper reorient the Government’s role with regard to the Thames Gateway, decentralising leadership and supporting business and local leaders. We appreciate the rationale for this, and hope that given its strategic importance this continued commitment at a national level to the Thames Gateway area will continue, particularly when it comes to spending decisions over the coming period.

4.3 The London Local Enterprise covers the whole of the capital, and because of this there is a risk it could lack focus. The London Borough of Newham hopes that the LEP prioritises East London, given the significant growth potential of the area.

Transport investment

5.1 We warmly welcome the Government’s continued commitment to transport infrastructure, particularly with regard to Crossrail and the new High Speed Rail network. New river crossings are also critical to securing connectivity. We believe high speed rail in particular has the potential to bring significant economic development to Newham, through international services stopping at Stratford International.

5.2 The regeneration benefits seen at existing Eurostar stations have driven at least £6 billion of gross development value. A report for London and Continental Railways on the total regeneration benefits of High Speed 1 estimated these as £17 billion. LSE and the University of Hamburg demonstrated that high-speed rail lines bring significant economic benefits to the communities they serve, the first thorough statistical research on the subject. Towns connected to a new high-speed line saw their GDP rise by at least 2.7% compared to neighbours not on the route.

5.3 However, we believe the case of Stratford to be a good example of where the national focus on regeneration has been lost, and at present the station remains a wasted opportunity for growth. Despite over £210 million being invested into the station to make it fit for international services, there are still no such services stopping at the station. We believe this is because the economic modelling does not assess the impact of future regeneration schemes and the huge growth likely to take place at Stratford and around the Olympic parklands.

5.4 Colin Buchanan Associates found that stopping at Stratford currently on High Speed One (existing Channel Tunnel line) is financially viable, would see 2 million passengers opt to use the station annually and deliver £600 million in user benefits in the evaluation period (based on the Department for Transport’s own methodology for valuing journey time savings). Some 30% of Eurostar passengers would switch to Stratford from St Pancras. An additional 51,000 passengers would be created through Eurostar stopping at Stratford.

The Work Programme and the universal credit

6.1 Universal Credit will bring together a number of in work and out of work benefits into a single payment and we welcome any initiative to make work pay. In Newham, our Mayor’s Employment Project has provided a guarantee that people will not be worse off in work. This has helped reduce fear of the “benefits trap”.

6.2 However, there are some elements of the changes that are unwelcome. The Institute for Fiscal Studies has found that 1.4 million families will lose out in the long-run and will face reduced incentives to work. Those losing the most are lone parents. The Welfare Reform Bill will also cap the benefits an out of work family can receive at £26,000 a year. This will disproportionately affect London and the south east where very high property prices will make many areas unaffordable. Almost 2,000 Newham households will be hit by this cut and many more will be forced out of central London to cheaper parts of the city.

6.3 Worklessness is a national problem but a local issue and both the scale of the problem and its causes differ from place to place. The Work Programme will be delivered across very large contract areas and the East London contract includes 17 boroughs. The solutions required in Newham are very different from those...
in Bromley or Sutton. We have serious concerns around whether the contracting arrangements will encourage prime providers to “cherry pick” those who are easiest to help in the contracting areas and “park” workless residents in Newham who may typically have greater barriers to work and be further from work.

6.4 There is a strong business case for local authorities to be involved in the Work Programme and they should have the opportunity to deliver as subcontractors. We believe that local authorities are well placed to support welfare to work, with local knowledge of population need and the local labour market, as well as established links with employers. Local authorities can also provide vital wraparound services from children’s centres to housing, allowing us to deal in a holistic way with people’s barriers to work.

6.5 The Work Programme needs to be adequately resourced in order to work. It will be particularly expensive to deliver in London given the high overhead costs (property, staffing etc). However, these higher costs are not matched by higher reward payments. If the reward payments are not sufficient, it may lead to market failure as providers go bust.

6.6 For the Work Programme and the Universal Credit to work, we also need to secure growth and ensure there are enough jobs for people to go into. The weak labour market and the intense competition for jobs means that even with even with improved welfare to work services and better financial incentives, unemployed people will still find it very difficult to find work.

Localism and reducing bureaucracy to local government

7.1 We are concerned that the Government’s commitment to localism is undermined by its tendency to intervene on local decisions which are rightly at the discretion of local authorities and their local democratic leadership. For example, the recent revised Code of Recommended Practice on Local Authority Publicity dictates how frequently local authorities can communicate with residents through publications, as well as a series of other new restrictions. Our influence over planning and ability to regulate the private rented sector—vital to local regeneration—has also been curtailed. This interference is at odds with the Government’s desire to allow more local discretion. Similarly, ministers have made several unwelcome interventions which have undermined local authorities in the difficult task of making savings. We hope this approach will be reconsidered by the Department for Communities and Local Government and a more supportive tack will be evident in the future.

Local Government Resource Review

8.1 Newham welcomes the Government’s announcement to conduct a Local Government Resource Review. We hope this will include a commitment to look at the allocation of funding with regard to local authority population. Newham has independent evidence that it is at least 20,000 undercounted according to the statistics CLG uses to allocate funding. This equates to a loss of approximately £20.5 million in funding before damping is applied. It also has clear implications for equalities, as those authorities which suffer from undercounting are by and large those with poorer populations, those with higher levels of international migration and greater ethnic and cultural diversity. We urge the Government to address this through the resource review.

8.2 There is independent research on population from Mayhew Associates and Leeds University, as well as the GLA for London boroughs. They all provide alternative figures which evidence an undercount by the Office for National Statistics for areas with high international migration.

8.3 Leeds University, for example, have used population components of change: fertility, mortality, immigration, emigration, internal in-migration and internal out-migration for each local area and each ethnic group. They combine ONS’ Total International Migration statistics with three administrative sources: National Insurance Number (NINO) registrations by migrant workers, the registration of international migrants with a local GP and Higher Education Statistics Agency (HESA) data on international students (Boden and Rees, 2009). This demonstrates that there are in existence alternative methodologies which are independent, robust, and in fact are derived from national sets of statistics from the ONS.

8.4 It has been indicated that the Resource Review will also explore local authority finance and business rate retention. The business rates retention model would clearly require significant work around the following areas: councils’ budget requirements; how to address councils with significantly higher business rate yield than their current spending; and how the proposals retain a genuine incentive for growth. We would clearly need to ensure that fairness within the system remained paramount and that individual local authorities did not lose out disproportionately.

8.5 With these caveats accepted, returning the yield of business rates to local councils may enable local authorities to make use of additional revenues to drive forward economic growth in their areas.

Housing regeneration

9.1 Newham welcomes moves to give local authorities greater control and flexibility and would like to see true local discretion and flexibility in the housing market so that we can provide secure accommodation for a broader spectrum of people. Our vision is that over time we will change our offer with the changing lives of our residents; for instance varying rent levels as circumstances change, and offering tenants the opportunity to
buy a stake in their home and build assets. We hope local authorities will be given powers as to vary rents as a step towards this.

9.2 The recent debate over affordable rents has highlighted the need for more localised housing policy. In Newham, for example, it remains to be seen whether higher rent levels will be affordable. Early analysis suggests that 80% of market rents will not work here for many households but that 60% may, as rents of £255 per week for a working family living in a three bed home in Newham will be simply unaffordable. Local discretion over housing provision would allow us to ensure that we had a local housing policy that met the specific needs of our communities.

9.3 This kind of flexibility would also enable us to reward people for bettering their circumstances. For example, in Newham we would like to be able to renew people’s tenancies if they manage to find employment and stay in it, or if they contribute to the community in another way. At present, the Government’s proposals expect that shorter term tenancies end when people’s circumstances improve: this continues to discourage people to better their lives and look for work.

9.4 We are concerned that medium term funding of the New Home Bonus is to come from a top slice of formula grant. This introduces additional uncertainty and pressure onto local government budgets at a time when they are facing significant reductions. For these reasons, our preference would be for the New Homes Bonus to be independently funded. However, if the Government is committed to top-slicing from the formula grant, we would strongly argue for the “need” block of the formula grant to be excluded from this, in recognition that it exists specifically to provide funding to address the extra need of areas with greater deprivation.

9.5 The New Homes Bonus does not compensate for the Government’s reduction in the capital budget for affordable housing. We would encourage the Government to allow local authorities new powers to bring more affordable housing on-stream for residents. Reform of the Housing Revenue Account must ensure that councils be given sufficient headroom to finance new build, acquisitions on the open market and shared ownership schemes; along with flexibility over the way they deploy these resources. Allowing local authorities to retain more of the receipts of sales as well as rents in order to ensure that total stock is maintained should be a key step in self-financing. Councils should be given a level playing field with housing associations.

9.6 Whilst we welcome the self-sufficiency model of HRA reform, as it stands the arrangement will not give us the level of flexibility we would prefer. With a 6.5% discount on debt Newham will lack any headroom to build additional housing. As the Government is also limiting the amount local authorities can borrow in line with national restrictions on borrowing, we will not be able to fund house building or capital work in this way.

Education and skills

10.1 The ending of the Educational Maintenance Allowance has had a disproportionate effect on Newham. Targeted on the poorest students, it has had a significant effect on participation in 16–19 learning, as well as on retention, attendance and ultimately achievement.

10.2 Take-up rate of the EMA is very high in Newham. Around 5,000 young people who study here claimed EMA last year—the highest in London. The vast majority of Newham learners claimed the full £30. A single college in Newham alone has over 2,000 EMA recipients, most of them receiving the full £30.59 It is the highest number in any sixth form college in the country. The exceptionally high claimant rate across Newham indicates that there is a high need in the borough for financial support for young people in further education.

10.3 If the skills mix of the six host borough area could also be enhanced to match the London average, the additional GDP from these developments could increase to £7.2 billion a year by 2030 and the improvement to the public finances to around £5 billion a year compared with the baseline projections. Such a contribution would play a key role in the UK’s recovery from recession and future economic growth. We hope the Government will reconsider its decision on EMA.

What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

11.1 Targeted funding. To take the example of the Canning Town and Custom House regeneration programme, £18 million Kickstart funding from the HCA was essential in bridging the viability gap and enabling the first phases to begin. This will ultimately be a £3.7 billion programme to recreate an entire town centre and it is crucial that Government targets funding to cases where public money can be used to release very much greater levels of private investment.

11.2 Utilities infrastructure. This cost of utilities infrastructure is perhaps the single largest barrier to the viability of physical development and regeneration. As Government develops financial incentives to drive growth it should consider how the cost burden of providing utilities can be met in innovative ways, and allow local authorities and private developers flexibility to construct new and innovative funding models. Crucial to this issue is the future regulation of the utilities, from water and electricity through to heat and telecoms. Any

59 Newham Sixth Form College—NewVIC.
changes to the regulatory regimes surrounding each of these utilities should ask the question, “Will this support regeneration and economic development?”

11.3 Financial incentives. As it develops new financial incentives to drive growth Government needs to appreciate that many regeneration schemes and programmes are delivered over a long period of time, up to a decade or more. This can mean, for example, that an area loses more homes than it constructs over the short term. Financial rewards should not penalise this reality. Indeed, Government should positively reward those local areas that embark upon these sorts of major, difficult programmes of regeneration. Additionally, Government needs to recognise that not all financial incentives will suit all regeneration areas. What works to deliver economic regeneration may not work for a residential or housing-led scheme. A suite of incentives that cater for the varying regeneration contexts across towns and cities would be desirable.

11.4 Creative thinking to build momentum for regeneration. Recently, for example, London Borough of Newham has taken the lead in creating Meanwhile London, an initiative to bring economic, community and environmental benefit through the temporary use of unused land and property in urban areas. These kinds of intervention can fill periods of dormancy whilst more permanent development plans are put in place.

What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

12.1 Please see above, in answer to questions (1) and (2).

12.2 In addition, Newham would like to emphasise the importance of international marketing and promotional work for East London in the run up to the Olympic and Paralympic Games, including a role for British Embassies as economic ambassadors for this major economic investment opportunity. It is imperative that the required resources are found to promote the area and maximise the return on our public investment in 2012. The Government must particularly ensure that marketing the opportunity is prioritised during this period of reconfiguration of London’s promotional bodies, Think London and Visit London. With just over a year to go until the opening ceremony, this must be addressed now; to ensure the momentum of the 2012 Games is not a missed opportunity to generate growth and development in East London.

How should the success of the Government’s approach be assessed in future?

13.1 Though we welcome many of the individual proposals developed by the Government around growth, we believe a coherent strategy for economic regeneration is required and are concerned that momentum could be lost without this in areas like Newham, which have significant growth potential and are well placed to support the UK’s economic recovery. We would welcome the publication of a Government strategy on regeneration to bring together into a single document the national approach to physical, economic and social development.

13.2 Whilst a national strategy is essential, the approach should recognise and differentiate the particular interventions required at different spatial levels, be it national, regional, local or neighbourhood. Some areas may require limited intervention to halt decline, for others it will be a case of transformation change. Government needs to recognise this range and adopt the appropriate policies and tools.

13.3 In East London we believe the success of the Government’s approach should be based on our progress towards social and economic convergence between the East and the rest of the capital. This is the fundamental outcome central to the regeneration activity of the London Borough of Newham and its fellow host boroughs. Improving the lives and prosperity of local residents such as those in East London is the only legitimate benchmark against which Government can evaluate its approach to regeneration and economic growth.

March 2011

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Written evidence submitted by the Centre for Local Economic Strategies

Executive Summary

1. CLES welcome the opportunity for a debate about the role of central government and localities in rebalancing the economy and the government’s commitment to a framework for regeneration.

2. The title of the document; Regeneration to enable growth What government is doing in support of community led-regeneration, would suggest the document would make this connection. It does not in any authoritative or meaningful way and is weak in developing an over-arching narrative for regeneration. It must offer something more than unconnected tables of actions. This lack of narrative fails to create a context in which local actors can be enthused and galvanised towards local economic activism to promote growth or the community activities which contribute to it.

3. The document fails to focus in on social, economic and spatial inequalities. “Regeneration” is part of wider (indeed global) economic forces and dynamics. Policy intervention in this area, therefore, is about challenging market failure and policy interventions around the speed or scale of changes to places.
4. The document implicitly conflates Local Economic Development with the statutory planning obligations of local authorities. This is a dangerous misreading of the nature of local economic development and regeneration.

5. Far too little is made of the value of partnerships, connections and relationships in place. Regeneration has to be about partnership and joining up various components of place. It is a core duty of local authorities to develop mediation mechanisms within and between communities and neighbourhoods as it is the only democratically legitimate player at this scale.

6. CLES’ approach to regeneration in partnerships includes:
   (a) Viewing overall place resilience and the networks that underscore places as a policy objective (see appendix 2).
   (b) Alternate models for exploring the combination of public, private and social assets. (e.g., making more of procurement spending and “sweating these assets”).
   (c) Holistic approaches which embed regeneration activity within the wider ambit of the public sector.
      — Co-ordination so that fragmentation and waste of scarce resources is avoided. (e.g., investing in localized transport infrastructure).

7. Decentralisation of power and resources are not ends in themselves but ways of challenging the issues of regeneration and deprivation. The localist policy agenda must address this and invest in the capacity and capability of civil society to adopt this core role in order for regeneration to be community-led.

1. Introduction and Context

The Centre for Local Economic Strategies (CLES) is the UK’s leading membership organisation dedicated to economic development, regeneration and local governance. Founded in 1986, CLES undertakes a range of activities including independent research, events and training, publications and consultancy. CLES also owns the monthly New Start digital magazine which provides an open space for debate on all things pertaining to regeneration and offers a comprehensive analysis and commentary on current policy and good practice. In all, CLES work the challenge of delivering local economic development alongside progressive environmental and social benefits is a common theme.

CLES are pleased for this timely opportunity to offer input into the parliamentary scrutiny process of the current policy approach to regeneration outlined within the document Regeneration to enable growth: What Government is doing in support of community-led regeneration and would be pleased to follow up on any points requiring further clarification or in oral session.

The evidence that we draw on in forming the perspective herein is rooted in practice and through our policy and consultancy activity and membership and partnership networks. This archive is in large part housed at our website. Specific references are contained as footnotes within this submission and as appendices two recent salient reports are attached. These reports form the cornerstone of our current thinking on place resilience and diversity themes we will expand in response to the structured questions.

2. General Points: Regeneration to Enable Growth: What Government is doing in Support of Community-led Regeneration

2.1 A key starting point to highlight are problems relating to definitions of concepts and how they are used within the document. The document fails to adequately differentiate between the policy areas of regeneration and local economic development or clarify the nature of the communities it seeks to discuss. This is not just about semantic difference. This is a contested area and questions of empowerment and inclusion must be precise or risk confusion, lack of consent from actors involved in regeneration. It is hard to see how the ostensible focus of the document; the linking of growth to community-led regeneration can flourish without further clarity or precision.

Consequently we offer our more precise definitions of terms used somewhat interchangeably in the document.

2.1.1 Regeneration is a “blended” or “hybrid” set of discourses and practices. At various times emphasis has been placed on the physical, social or economic facets. Under the previous government the term was used to emphasise the comprehensive, connected and holistic approaches required to deal with the problems of deprived neighbourhoods, as outlined in the National Strategy for Neighbourhood Renewal.

Regeneration can occur without public policy intervention. The market can regenerate a location on its own. However, regeneration has and is used as a means of speeding up or upscaling what the market can do.

Crucially regeneration can be driven by local authorities, public sector partners, private developers and businesses or community-based coalitions. Usually regeneration is pursued by partnerships of the above actors. A local authority will have a role within regeneration but rarely be the sole

60 http://www.cles.org.uk
agency. Physical regeneration, in particular requires private developers to work alongside other actors. Where strategy and delivery require co-ordination the mechanisms for this joining-up are critical in order to avoid fragmentation and frittering of scarce resources. Fragmented activities at a locality scale which do not cohere within wider strategic frameworks may result in competition between neighbourhoods and disparities between the well-organised and able. In times of contracting public sector investment partnership mechanisms arguably take on even greater significance.

2.1.2 Local economic development is a set of approaches and strategies deployed in order to deal with market failure of varying sorts. The key agency within LED is and should be the local authority, which operates with partners in the locality to mitigate such failures. This can be in terms of housing markets, of employment and skills and their connection to jobs or in terms of physical development and dereliction. Local Economic Development is necessary where structural and spatial inequalities are entrenched, due for example to economic restructuring, out-sourcing beyond the UK and the failure of labour markets.

LED is connected to but must not be conflated with the planning obligations of local authorities. There is a difference between strategic local economic development planning and the spatial (or land-use) planning system. There is much within this document which refers to the planning system.

It is the position of CLES that Local Economic Development, led by the public sector has a unique and important role where market failures are particularly acute, for example in the area of brownfield contamination there still needs to be a role for government funding to bring areas back to the market.

2.1.3 Consequentially community-led regeneration (as presented in the document’s title) foregrounds a strong and capable civil society able to broker the range of regeneration activity in their own interests. The current localist policy agenda must address the capacity and capability for civil society to adopt this core role and focus on mediation mechanisms within and between communities and neighbourhoods. There needs to be more support (capacity and upskill) in public and social sectors to provide local partners with the ability to co-fund and influence projects, especially managing long-term financial risk, and enabling the public and social sectors to act as an equal partner in decision making.

In this CLES see a key role for active local government as a broker, facilitator and, critically the legitimate space for resolution of disparate claims. We fear that this role is curtailed in the current climate of cuts coupled with an unhelpful anti-public sector rhetoric.

2.2 Our NewStart magazine, published in late 2010 gives us a wealth of material to draw upon as regards regeneration. In round table of figures from the sector prior to the election (April 2010) newStart delineated a seven-point plan for the incoming government (attached as appendix 1).

2.2.1 Sustain Success: Recognise the achievements of the past and build on them.

2.2.2 Let go, or get out of the way: Focus on citizens to take action that is done by transferring powers and funds and not by blocking those who want to get things done.

2.2.3 Recognise community potential: local communities have enormous potential that can be unleashed to everyone’s benefit.

2.2.4 Keep tackling inequality: Local and central government need to appreciate how a focus on the most disadvantaged benefits everyone.

2.2.5 Focus on education and skills: No regeneration initiative will work unless we address people’s aspirations, education and skills.

2.2.6 Promote quality of life and quality of place: High quality sustainable neighbourhoods need to be at the heart of regeneration.

2.2.7 Reform the banking system: this must be top of the agenda because banks and financial institutions are directly responsible for the public spending cuts we now face.

2.4 The government document scores relatively well on points 2.3.2 and 2.3.3 “let go or get out of the way” and “recognise community potential through its localist agenda”, however the loss of focus on social and spatial inequalities is worrying, big society, general power of competence and right to challenge are useful tools for communities however on the other points (especially to what end) the document is weak or silent. CLES are particularly concerned that point 2.3.4 appears to be a low priority for the government. The “worst first” line pursued within the NSNR served to focus attention on the most deprived areas using a clear evidence base for decision making.

3. Specific Responses to the Inquiry Questions

3.1 How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

3.1.1 There is no over-arching narrative: The document is extremely weak in terms of an offering or developing an over-arching narrative for regeneration. It must offer something more than unconnected tables
of actions. This lack of narrative creates a limp message, and as such fails to inspire, or create a context in which local actors can be enthused and galvanised towards action. Indeed we are left wondering whether there is an approach or whether a set of vague and disparate aspirations.

3.1.2 It does not connect: The fragmented style of the document exposes the huge gap between vision and delivery, and there are sparse clues on the mechanisms through which the ostensible “strategic and supportive” actions of the government can be realised. This confusion links to fundamental concerns about assessing and evaluating the approach to be taken. Joined-up-ness is required to move towards holistic approaches which embed regeneration activity within the wider ambit of the public sector and co-ordination ensures that fragmentation and frittering of scarce resources is avoided.

3.1.3 There are elements missing: The document is not comprehensive about the policies and reviews of the government. Key to the approach will be the ways in which the separate initiatives connect, for example how LEPs relate with the Work Programme for example.

Notable absences in the document include recent announcements such as Business Rate reallocation and variability, Enterprise Zones and Tax Increment Financing—the money from which would act as key catalysts for regeneration and connective policy. Also the Review of Local Government Finance will have a huge influence over the activities of localities and it is hard to assess the approach herein in the absence of a conversation about resourcing.

3.1.4 It does not address wider assets: A major plank of CLES’ work concerns place resilience (see Appendix 2) and the networks that underscore place. This is a way of focussing on places which explores their potential strengths through the combination of public, private and social assets. We have carried out work within local authorities probing the inter-relationships of these sectors and this approach colours our views on place stewardship and leadership.

Further CLES work espouses a perspective on regeneration which connects growth with social justice and working within environmental limits. This can be achieved through an approach which views overall place resilience and the networks that underscore places as a policy objective and prioritising alternate models for exploring the combination of public, private and social assets. (eg making more of procurement spending, sweating these assets)

3.1.5 It is physical: There appears to be a lot of emphasis in the emerging measures upon physical regeneration, that is, the development of buildings and homes and rejuvenating existing facilities. This is a key facet of regeneration. However, this focus on the physical must be matched with how it connects with local economic and social regeneration aims.

3.2 Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on?

3.2.1 To build on the past, there clearly needs to be a commitment to follow through with some of the initiatives, albeit in an altered, more limited and cost effective way. Progress made by previous funding regimes has led to environmental and physical improvements and the investment that such capital spending represents.

3.2.2 Perhaps the most significant legacy of past regeneration projects has been the development of functional cross-sectoral partnerships working which in some places are sufficiently mature to have “changed the conversation” around the broad use of assets in an area. Partnership development over many years has led to reserves of tacit knowledge and the building up of trust and capacity into a strong knowledge base. Strong, but distributed public leadership is critical with longstanding partnerships of civic and private institutions still very important to regeneration.

3.2.3 Regeneration has been significantly fuelled by the deployment of special and time-limited funding streams which have now been cut. The challenge for deprived areas is that interventions are required to maintain, to speed up and to upscale progress through intervention. Many local authorities have been forced to make redundant community development, neighbourhood renewal and regeneration officers, not to mention PCSOs. Street wardens, rangers and those working in prevention of health inequalities and anti-social behaviour. This fundamentally undermines possibilities of building on the past.

3.2.4 Meanwhile, the structures which have been the repositories of shared knowledge and understanding have been largely dismantled. Local networks such as Local Strategic Partnerships (LSPs) will have increasingly diminishing powers when it comes to neighbourhood regeneration. Furthermore, regional and local intelligence and knowledge banks which were associated with the regional infrastructures are similarly being dismantled.

3.3 Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

3.3.1 It is disappointing to see that the “targeted investment” list contained in the document is limited only to controversial and “big-ticket” infrastructure projects for the Greater South East and amounts to a de facto growth strategy which does nothing to re-balance the economy away from the GSE and towards the structurally and spatially unfavoured northern regions.
3.3.2 Further, it is hard to see how the infra-structure projects of HS2, Olympics, CrossRail and the New Homes Bonus contribute towards the objective of community led regeneration.

3.3.3 CLES would welcome an approach which focussed on assets rather than simply focuses about conversations regarding short-term or project funding and advocates a focus on the five kinds of capital familiar to practitioners of sustainable development. These sources of capital are financial, natural (environmental), production capital (manufactured goods), human capital and social capital. A more relational and networked approach to place seeks to explore the influence of the latter dimensions and has been core to CLES’ approach to the resilience of places.

3.4 What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

3.4.1 Take on board the evidence: The document does not focus on the many evaluations on the efficacy (and otherwise) of area-based interventions. This evidence covers numerous key areas.

- Co-ordination across spatial scales.
- Long-term time commitment.
- Dedicated resourcing.
- Structures for neighbourhood management.

3.4.2 Don’t set areas up against one another: Competitive bidding processes can be corrosive to linkages across places which are encouraged to compete for strategic investment priorities. Localities which have the strongest bid-writers and commercial sector representatives which are likely to be most successful in ‘playing the funding game’. Similarly, if the focus is upon community led regeneration it is likely to be those communities with the strongest voices and the usual activists who are likely to shine through. This could well exacerbate rather than tackle the unequal distribution of developments and funds.

3.5 What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

3.5.1 The notion of viewing places through the lens of their place resilience and focussing on their assets leads to a different approach to funding. The present government has foregrounded the need to sharp revenue cuts but place resilience requires a far deeper examination of the asset base; localities can and must be voracious in their assessment of the assets at their disposal, rethinking the role of property, of reserves, of borrowing powers, and of trading.

3.5.2 The new approaches to funding being discussed at the present time including Enterprise Zones, Tax Increment Financing, localisation of Business Rates and changes to Formula Grant. Central government has a clear role in overseeing the operation of such schemes and in both their return and social return on investment.

3.6 How should the success of the Government’s approach be assessed in future?

3.6.1 The approach of the government must be assessed in the terms that it sets itself. If the document under discussion is intended to offer the approach upon which the government seeks to be judged then our earlier criticisms about the inchoate and incoherent nature of the document suggest that the lack of clarity around definitions, around mechanisms and around resourcing. If this is the blueprint then it will be impossible to judge whether the approach has been successful or not.

3.6.2 However, rigorous evaluation of the approaches, particularly where they diverge will be key, especially as an assessment on return on investment is considered.

3.6.3 In line with our alternate approaches outline above CLES recommend a toolkit of different approaches including attention to multiplier models for public sector spend (LM3) models which foreground the sweating of assets in public procurement and of cost-benefit analysis which emphasises SROI (social return on investment).

March 2011

**Written submission by the Town and Country Planning Association**

1.0 About the TCPA

1.1 The Town and Country Planning Association (TCPA) is an independent charity working to improve town and country planning. Its cross-sectoral membership includes organisations and individuals drawn from practitioners in local government, private practice, housebuilders, academia and third sector organisations and special interest groups. It puts social justice and the environment at the heart of policy debate and champions fresh perspectives on major issues of planning policy, housing, regeneration, the environment and climate change. Our objectives are to:
— Secure a decent, well designed home for everyone, in a human-scale environment combining the best features of town and country.
— Empower people and communities to influence decisions that affect them.
— Improve the planning system in accordance with the principles of sustainable development.

2.0 SUMMARY OF TCPA EVIDENCE

— The TCPA’s response focuses on the Committee’s first question: “How effective is the Government’s approach to regeneration likely to be?”
— The Government’s approach to regeneration as set out in “Regeneration to enable growth. What Government is doing in support of community-led regeneration” covers four areas, which are:
  1. reforming and decentralising public services, including reform of the planning system, with the introduction of Neighbourhood Plans, and changes to Housing Benefit;
  2. providing powerful incentives that drive growth, such as the New Homes Bonus;
  3. removing barriers that hinder local ambitions; and
  4. providing targeted investment.
— The removal of the regional tier of planning and housing policy, which has been replaced by a new incentive scheme for housing (the New Homes Bonus), is likely to have a significant impact on regeneration. The Bonus rewards high-market-demand areas, but penalises renewal areas with high levels of demolitions (the Bonus is awarded on net additions). Therefore the benefits of the Bonus, and indeed the costs, to communities and places will differ substantially across England. This has the potential to exacerbate spatial inequalities and favour high growth areas rather than direct and enable development and investment in areas where renewal is needed.
— The combined impact of key planning and housing reforms on regeneration, not only the removal of regional planning and the New Homes Bonus, but Housing Benefit reform and the “Affordable Rent Initiative”, may also have spatial implications. In particular sustaining urban renewal and striving for socially and economically mixed communities could be compromised if, for example, Housing Benefit policy leads to much greater social housing need in those areas already subject to significant deprivation and disadvantage.
— The planning system—outside London, which retains its regional London Plan with proposed new housing and regenerations for the Mayor, and new mayoral development corporations—will have to deal the growing housing and regeneration challenges at a time when both the framework and the resources have been significantly reduced.
— There is a continuing need for the planning system to provide the long term strategic framework to drive sustainable development and regeneration.

3.0 TCPA RESPONSE TO “HOW EFFECTIVE IS THE GOVERNMENT’S APPROACH TO REGENERATION LIKELY TO BE?”

3.1 Regeneration is a term which denotes a wide-ranging package of measures to reverse, improve or create the necessary conditions for bettering the social, economic, environmental and physical well-being of communities. The TCPA highlights the pre-conditions for effective and sustainable regeneration in a definition offered in Urban Regeneration: A Handbook: “comprehensive and integrated vision and action which leads to the resolution of urban problems and which seeks to bring about a lasting improvement in the economic, physical, social and environmental condition of an area that has been subject to change”.61 The need for regeneration is not just confined to the urban areas but also the former industrial and mining areas.

3.2 Previously, there was a comprehensive and integrated vision with actions underpinning regeneration efforts, including:
— A national vision for housing and regeneration: the Sustainable Communities Plan in 2003 and the Housing Green Paper in 2007 targeted areas of low demand and aimed to deliver more homes and making homes more affordable, such as central funding through the Housing Market Renewal and New Deals for Communities programmes;
— Central funding and co-ordinating support namely through the Housing Market Renewal pathfinders since 2002 in the Midlands and northern regions, coalfields regeneration programme, and through the work of bodies such as the Homes and Communities Agency; and
— A planning framework becoming established which provided all sectors with a degree of certainty over issues such as identifying market and social housing need, aspirations and delivery targets, and housing land allocations through the statutory development plan.

3.3 The Coalition Government intends to implement a radical reform of the planning and housing delivery system, from the abolition of regional planning and a renewed emphasis on localism to the streamlining of national planning guidance, but without a green or white paper to allow proper analysis, consultation and review. The Government also intends to replace strategic “top down” planning with an incentives-based regime.

3.4 While welcoming some elements and aspirations of the reforms, the TCPA believes that the collective and cumulative impacts of these reforms have not been thought through. Going back to the definition of regeneration set out in 3.1, the nature of the problems to be tackled has not been adequately identified in the first instance. The effect has already generated uncertainty and speculation over the potential impact of this on planning, housing (and in particular the delivery of housing need) and the environment, as evident in stalled inner city schemes. And the outcomes may undermine drivers of positive change or contribute to the processes of decline in many communities and places previously earmarked and/or needing regeneration, which the report of the Urban Task Force in 1999 sought to address.

3.5 For example, the TCPA cites a recent report by the Audit Commission in March 2011 reviewing progress in 2009–10 and the future of the Housing Market Renewal programme. It highlighted the difference that the HMR programme is making and has provided the finances and the impetus for action to rebuild housing markets, and that without a dedicated funding stream under March 2011, a realistic future vision is needed for these areas given the changed economic circumstances and the housing and economic problems they continue to face.

3.6 The TCPA has analysed the details of the planning reforms closely since intentions were published in the Conservative Party policy paper Open Source Planning, and agrees in the validity of some criticisms of the current planning system through our representations to the Committee on its inquiries into the Revocation of the RSSs and Localism, the Environmental Audit Committee’s inquiry into Sustainable Development in the Localism Bill, and publications in 2010 on the future of planning (see Section 4 for full references). However the TCPA still fundamentally believe in the important role of the spatial planning system. It is needed as a long term strategic framework for sustainable development, and in particular and including delivering sustainable regeneration where a mechanism for positively managing change is needed.

3.7 The TCPA would like to draw the Committee’s attention to forthcoming report by the TCPA, commissioned by the Joseph Rowntree Foundation, which examines how the reform of the planning system will impact on housing provision and social justice. Through this analysis, it is clear to the TCPA and stakeholders who attended the two roundtables that the benefits, and indeed the costs, to communities and places will differ substantially across England.

3.8 The TCPA concludes this submission by highlighting key conclusions of this report. The final report is attached as supporting evidence to this submission (see Attachment):

- the long-terms patterns of spatial inequalities in England are likely to be reinforced by a combination of the end of regional planning and policy and an incentive scheme for housing which rewards high-market-demand areas and penalises renewal areas with high levels of demolitions;
- there will be shorter-term impacts on a significant number of low-income households in terms of housing benefits and potential for spatial disaggregation; and
- net result in lack of uncertainty about the way we plan for and deliver housing, particularly in areas in need of renewal.

4.0 TCPA References

TCPA and JRF, March 2011, Policy analysis of housing and planning reform, to be published on Tuesday 22 March 2011, hard copy attached—Attachment.
TCPA submission to the Communities and Local Government Committee inquiry into the abolition of regional spatial strategies, September 2010: www.tcpa.org.uk/data/files/resources/936/20100915_CLG_Select_Committee_RSS_TCPA.pdf
TCPA submission to the Communities and Local Government Select Committee on Localism, September 2010: www.tcpa.org.uk/data/files/resources/947/20100929_TCPA_FINAL_CLG_Committee_Localism.pdf

64 TCPA and JRF, March 2011, Policy analysis of housing and planning reform, embargoed copy until Tuesday 22 March 2011.
Written evidence submitted by Cornwall Council

INTRODUCTION

Cornwall Council (CC) welcomes the opportunity to respond to the Select Committee’s Inquiry on Regeneration. The Inquiry follows the publication of “Regeneration to enable growth: What government is doing in support of community-led regeneration”. In summary our response requests the Committee to consider the following argument:

— Cornwall has distinctive opportunities and challenges to deliver “regeneration that enables economic growth” synthesised in “Future Cornwall 2010-2030: A joint strategy”. This represents an agreed statement of the vision and objectives of Cornwall to 2030; and the five-year priorities to 2015; and encompasses our immediate “Economic Ambition” for Cornwall over the next five years where we have stated that we want to enable a “confident, resilient Cornwall that is a leader in innovative and low carbon technologies”.

— Our strategy meets all major national policy objectives—the economic contribution that will enable localism and the Big Society, “rebalancing” the economy, “Low Carbon sustainable growth”, “Britain—open for business” etc. We also believe that integrating these themes at Cornwall level produces economies of scale and synergies that can contribute to “deficit reduction” and can provide a blueprint for success for other UK non-metropolitan areas.

— Government support of “regeneration to enable growth” requires Government to match its localism “words” with positive steps to empower Cornwall to deliver the strategy through enhanced powers and responsibilities discharged by institutions in Cornwall.

— In this respect, therefore, the current CLG “advice and guidance” is inadequate. Whilst it outlines a range of important measures and programmes, these do not amount to a comprehensive approach to either regeneration or to enabling growth. Rather they are a “menu” of options potentially available to private and community sectors, local authorities, and “vulnerable individuals”.

— The options “menu” is also inadequate in its effective omissions of BIS-led enterprise, inward investment, innovation and skills (especially higher-level skills); and DECC-led energy and low carbon measures and policies. These will be central to most local (and certainly Cornwall’s) regeneration and growth strategies and are areas where Cornwall’s experience should lead to greater devolution on these matters.

— “Regeneration to enable growth” requires a comprehensive, strategic approach. Regeneration and economic growth happens in places. Cornwall provides a place where government can confidently enable this comprehensive approach—in some senses a non-metropolitan variant of the Greater London Authority or of government support of “regeneration to enable growth” requires Government to match its localism “words” with positive steps to empower Cornwall to deliver the strategy through enhanced powers and responsibilities discharged by institutions in Cornwall.

— In this respect, therefore, the current CLG “advice and guidance” is inadequate. Whilst it outlines a range of important measures and programmes, these do not amount to a comprehensive approach to either regeneration or to enabling growth. Rather they are a “menu” of options potentially available to private and community sectors, local authorities, and “vulnerable individuals”.

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— “Regeneration to enable growth” requires a comprehensive, strategic approach. Regeneration and economic growth happens in places. Cornwall provides a place where government can confidently enable this comprehensive approach—in some senses a non-metropolitan variant of the Greater Manchester Combined Authorities (GMCA).

— Our response makes an offer to government to take this comprehensive agenda forward. We will be delighted to explore this in greater detail with the Select Committee; and to assist you further to advise government on how to put “regeneration to enable growth” into practice.

FUTURE CORNWALL— THE OPPORTUNITY AND THE CHALLENGE

Cornwall (together with the Isles of Scilly—IoS) is unique for the strong coherence of our traditions, culture (and language) as economic drivers for our communities, the Cornish, “brand” and sense of “place”.

We are also unique in our economic challenges and opportunities. Although remaining an area with one of the lowest GVA per head and average weekly earnings in Great Britain (around 65% and 80% respectively); we have in the last decade delivered amongst the highest GVA per head growth rates (over 20% above national average) of any sub-national area. This has been anchored by a range of transformational investments such as Combined Universities Cornwall (CUC); by developing specialisms in environmental industries and technologies (especially renewables); and with major expansion, modernisation and diversification of traditional business sectors such as Tourism, Agri-Food and Drink. Underpinning this impressive performance has been the successful delivery of EU Convergence and Objective One programmes, together matching public and private sector development and regeneration investments. In short, if government wishes to consider non-metropolitan exemplars in actually delivering “Regeneration to enable growth”, Cornwall is certainly in both the UK Premier and EU Champions League of areas to learn from, and to support for further success in the future.

2011-15 presents Cornwall with a new set of challenges-government’s fresh approach to rebalancing and regeneration; the broader deficit reduction efforts; the local needs to complete and move beyond the EU Convergence Programme; and to realise all the dividends that the assumption of unitary local government in 2009 offered.

“Future Cornwall 2010-30—A joint Strategy” sets out how we can respond to these challenges. We consider it of national significance both in terms of the strong tripartite understandings—public, private, community and voluntary sectors—that led to its formulation and adoption; but also because of the way it encapsulates in one coherent economic geography and set of communities the overall national policy agenda being promoted by government.
Future Cornwall is a practical example of:

- Localism—led by the tripartite “megacommunity” of Cornwall’s public, private and civil society; and supported by the new unitary local council—the largest non-metropolitan unitary in the UK.
- Rebalancing—both nationally and locally.
- Geographically, Cornwall provides a focus for sustainable growth, economic resilience, and reduction in “dependency” in a former fragile area, with multiplier effects for wider economic geographies, and benefits for “UK plc” more broadly.
- From public to private sector, from consumption to investment, developing key sectors beyond financial and business services. “Future Cornwall” provides a strategy for graduating and of enduring (UK and EU) public expenditure to a new low carbon economy based on internationally-competitive environmental goods and services; modernisation of tourism, food and drink and other key sectors; physical and ICT connectivity; and skills-based investments.
- “Big Society”—Cornwall decisions taken by institutions accountable to Cornwall residents and businesses is integral to the tripartite “megacommunity”. Together with the Isles of Scilly, our successful LEP bid illustrated strong partnerships within and between the public and private sectors.
- “Double devolution” to Towns and Parish Councils and to civil society organisations is a key component of our putting Big Society into a Cornwall setting. It is essential that there is sufficient realist leverage for regeneration through devolved and hypothecated means of raising revenue; which is both possible in its application and transparency. This needs to be supported by local animateurs who can link regeneration to an enabled community in the spirit of the “Big Society” and the pride that people have in Cornwall. This was the basis of our increasingly successful evolution of regeneration strategy in Camborne, Pool and Redruth; which is resulting in innovation infrastructure, destination cultural and leisure (Heartlands) and modern, quality workspace. Devolution will allow Cornwall (and the Isles of Scilly) to evolve approaches which link such major regeneration to the needs and opportunities of all our communities—building (bottom up) from neighbourhood interventions.
- Low Carbon growth—with huge tidal and marine resource, geothermal, wind and solar potential: Cornwall can be the “renewables powerhouse” of the national economy; and of signification in terms of applying R&D to environmental goods and services industries and technologies. This is already supported through major projects such as the Hayle wave hub technology, the PRIMARE research programme to explore marine renewables, and opportunities such as Clay Country ecotown, with links to geothermal and sustainable construction technologies. It is therefore essential that the ability to fund and support training and skills in these fields is both devolved and coherent.
- Deficit reduction—with freedoms and flexibilities akin to those potentially sought by GMCA constituent local authorities, Cornwall can realise economies of scale and asset utilisation promised by the move to unitary status; together with leveraging EU and market investment for the remainder of and beyond the Convergence Programme.

**Future Cornwall—Enhanced Powers and Responsibilities**

Given distinctive opportunities and challenges; a coherent socio-economic geography, set of communities, and strategic approach; and a track record of successful delivery and improvement; it is now timely for Government to support “Future Cornwall” with a comprehensive approach to enabling Cornwall’s leadership to deliver “Regeneration to enable growth”.

Indeed, our major critique of the CLG advice and guidance being considered by the Select Committee is both that this comprehensive approach does NOT appear to be on offer; and that the paper’s geographical perspective sub-nationally is mainly skewed toward London and the South East (eg Crossrail, Thames Gateway, even arguably HS2).

However Government has the example of the Greater London Authority (GLA), and has recently approved the establishment of the Greater Manchester Combined Authority (GMCA) from 1 April 2011. GMCA’s ambitions to set priorities, pool public resources, and commission/delivery manage roles and functions across economic and business growth, transport, skills (including further education), housing, regeneration, waste management; low carbon developments and strategic planning—-as part of a coherent approach to regeneration and growth—-should be available as an option for non-metropolitan areas. Cornwall’s leadership team would welcome an opportunity to progress such a case with government, and requests the Select Committee to consider a recommendation in its Inquiry Final Report that enhanced powers and responsibilities for regeneration to enable economic growth in Cornwall be pursued by Government as a matter of urgency (eg given the 2013 end of the EU Convergence Programme) and the need to develop and implement successful arrangements for the following Transition Period.

**Specific Responses to the Inquiry Questions**

The above presents an outline general case for “Regeneration to enable growth” in a Cornwall context. With respect to the specific questions asked by the Select Committee, whilst, clearly, there are a number of
community regeneration and worklessness dimensions to the Inquiry, our strategic ambitions for economic growth and development suggest the following responses for the Committee’s consideration:

1. How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

Cornwall welcomes the major themes of government policy, as outlined above—localism, rebalancing, big society, low carbon growth—and we can contribute to a strategy for deficit reduction. These provide economic, social and environmental underpinnings for “Regeneration to enable growth”. We also welcome the new flexibilities to work outside of the confines of an artificial south west architecture on key issues that we share with similar geographies nationally and internationally.

We are delighted that Cornwall’s initial proposal for a Local Enterprise Partnership (LEP) was in the first round of LEP approvals and this provides the strategic economic leadership and mechanism for planning and managing economic change. As a public, private and community sector partnership, the LEP provides tripartite support for the economic dimensions of the overall “Future Cornwall” strategy.

We also continue to invest in Cornwall Development Company (CDC) which, alongside other private, public and community sector partners, provides a critical mass of delivery management capacity and capability with which many areas may struggle in the aftermath of the RDAs and with the changing HCA roles and reach.

Government’s approach to regeneration will be more effective where local areas are ambitious, have broad tripartite buy-in to strategic direction, a purposeful partnership focusing on economic growth and regeneration, and a critical mass of delivery management capacity and capability.

Where such preconditions are met, government itself needs to be more ambitious in the powers and responsibilities it is prepared to delegate to the area. In this respect “Regeneration to enable growth” is a menu of options rather than a comprehensive approach to regeneration and growth. As a menu, the benefits which will accrue are likely to be important but partial (ie benefits in tackling deprivation may not produce sustainable economic growth, whilst investments in growth sectors may not deliver improved social outcomes in disadvantaged communities).

Government needs to make clear that genuine localism in regeneration and economic growth is on offer to ambitious areas; that it can lead to powers and responsibilities akin to GLA and the direction of travel epitomised by GMCA; and that it is prepared to work with ambitious areas to this end.

2. In particular: Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on? Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

Cornwall has benefitted from past regeneration programmes, notably the EU Objective One and Convergence Programmes—and a range of national and regional initiatives. Cornwall recognises that 2011–15 will be marked by deficit reduction in UK public finances, together with graduation from the Convergence programme after 2013.

Building upon the progress made by regeneration investments in this context requires new models of development intervention—increasingly private sector-led and public sector enabled. Government will only support enabling in the Cornwall context if it:

- Ensures that match funding is available to complete the Convergence Programme effectively, and that post-2013 Cornwall can build on Objective One and Convergence to create a new “joined up” EU role in Cornwall’s future development—matching the whole range of EU interventions with national programmes (eg like Regional Growth Fund) and private investments.

- Recognises the necessity for “renationalised” economic functions post-RDAs to have strong local shaping and tailoring—and in Cornwall’s case to have a clear Cornwall dimension to future Business and Enterprise Support (including the to-be-announced Enterprise Zones), Inward Investment, Innovation, and Skills programmes.

- Provides a stable investment climate and appropriate incentives to encourage the development of new industry clusters such as the renewables sector in Cornwall, which can deliver future major employment, regeneration and GVA benefits. Areas which have the potential to deliver growth of national significance in these sectors need an incentives regime tailored to local needs, including appropriate local fiscal regimes to enable and retain private investment and development.

- Provides also a stable investment and incentives regime for private and community sector participation in affordable housing and community regeneration programmes. In this respect, there are concerns over how the new affordable housing policies will impact on Cornwall, and the degree to which a specific regime tailored to Cornwall needs will be required.

In terms of adequacy of public funding for Cornwall’s sustainable growth and economic resilience, government needs to:
— Bring to fruition the range of measures it has suggested may be available for local areas—TIF, CIL, Bonds etc; complete an ambitious Local Government Resource Review; and ensure that local areas of growth are able to access new instruments in a timely and effective manner.

— Apply both financial incentives (eg Feed-in-tariff scheme), and programme priorities (eg TS8 research and commercialisation programmes) to low carbon growth sectors (especially renewables)—ensuring some “localisation” of both policy regimes and funding so Cornwall can make a significant contribution to UK and local sustainable growth of high value and priority sectors.

— Ensure the public sector asset base is deployed effectively to leverage market investment and service delivery. Cornwall’s local government estate has significant potential for rationalisation—but the positive impact will be multiplied many times if a whole-Cornwall approach can be taken by Cornwall’s leaders to the public asset base (include maritime resources).

— Bring together the above measures with mainstream public budgets, increasingly enabling the pooling and integration of public resources in an Integrated Cornwall Investment Programme.

3. What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

There are many examples of regeneration investments that have delivered transformational change over recent decades. Indeed, Cornwall will argue that Objective One and Convergence Programmes have laid the foundations for this type of transformation. However, overall government approaches have tended to be limited by:

— Difficulties in reconciling “trade-offs” and linking “investing in success” and “tackling deprivation” approaches to regeneration and growth strategies.

— Fragmentation of intervention strategies derived from different national departmental priorities (eg skills, business growth, planning, transport etc).

— Uncertain and inconsistent involvement of business and community sectors in prioritisation and delivery management of economic change.

— Lack of local legitimacy to top-down initiative, and lack of well-founded “mediation” mechanisms between national priorities and local concerns.

— Inconsistent capacity and capabilities to plan and manage policies, programmes and projects effectively.

These limitations can best be addressed through “joining up” national priorities and approaches in economic development and regeneration through coherent regions like Cornwall and (as appropriate) the Isles of Scilly. The previous government attempted this at south west level, but this approach faltered through lack of local legitimacy and coherence. As argued above, we consider Cornwall has the socio-economic coherence, local leadership and legitimacy, strategic approach, “megacommunity” involvement, and delivery arrangements to provide a strong test-bed for extending devolved decision-making in development and regeneration.

In particular, the new Local Enterprise Partnership needs to be empowered to negotiate and agree the economic development priorities of “Future Cornwall” with government departments and NDPBs (as outlined above for Business Support, Renewables, Affordable Homes etc); whilst the Council, CDC and other delivery bodies need the empowerment of accessing new financial instruments and powers (eg TIF, CIL, Asset-backed vehicles plus the outcomes of a “permissive” Local Government Resource Review)

4. What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

The major policies of a Cornwall approach include:

— Ensuring completion of the EU Convergence Programme, with satisfactory public and private match funding, and alignment of EU funding streams with appropriate national programmes such as RGF.

— A post-2013 EU regime which allows Cornwall to integrate all EU financial instruments (eg ERDF, ESF, EAGGF, FP etc) within an overall “Future Cornwall” integrated investment programme.

— Evolution of area/place-based budgeting mechanisms and former Multi-Area and Local Area Agreements into a holistic Cornwall Budget and Integrated Investment Programme certainly across development and regeneration drivers (ie akin to GLA and/or GMCA powers and resources).

— A agreement to rationalisation of the public sector asset base in Cornwall, and use of the asset base to leverage private investment in Future Cornwall priorities.
5. How should the success of the Government's approach be assessed in future?

We have argued in this submission that the major themes underpinning government's approach to regeneration include localism, rebalancing, Big Society, Low Carbon growth, "Open for Business", deficit reduction. It is clear that impact and outcome evaluations can be identified for each of these themes, and we can anticipate that government's record will increasingly be judged against these themes as parliament proceeds. More specifically, in "Regeneration to enable growth" government identifies its roles as:

- reforming and decentralising public services;
- providing powerful incentives that drive growth;
- removing barriers that hinder local ambitions; and
- providing targeted investment and reform to strengthen the infrastructure for growth and regeneration and to support the most vulnerable.

Both the major themes, and the specific government roles have a resonance with "Future Cornwall" ambitions—and are a satisfactory basis upon which to assess the impact and outcomes of government’s approach as it affects Cornwall over 2011-15.

Conclusions

Cornwall Council is delighted to have had an opportunity to make this submission to the Select Committee's Inquiry on Regeneration. We have argued, solely in response to one aspect of the Committee's scope of Inquiry—ie the enabling of economic growth in Cornwall. We could also present a similar economic analysis with respect to tackling deprivation and worklessness, benefit dependency etc. Indeed, we would welcome an opportunity both to expand upon and extend our argument should the Committee either wish to undertake a specific Cornwall case study, or should it hold oral hearings as the next stage of the Inquiry.

In summary, the major limitations and concerns with "Regeneration to enable growth" are:

- Lack of specific commitments from government to a comprehensive approach to enhanced powers and responsibilities in ambitious areas.
- Omission of major consideration of BIS-led Enterprise, Innovation and Skills contributions to growth (and especially the local leadership and influence on "renationalised" roles functions from RDAs); and DECC-led carbon reduction and renewable industries programmes and incentives.
- Concern over the future of EU funding regimes, ease of implementing new financial instruments (eg TIF, CIL, outcomes of Local Government Resource Review), a whole public sector approach to asset utilisation, and the tailoring of incentives (eg renewable energy FITS) to specific priorities of local areas.

These limitation and concerns can be addressed by Government committing to negotiating agreements with the Future Cornwall leadership team over Government’s own contribution to Cornwall priorities; to its empowering the LEP in the first instance as the strategic economic leadership body for Future Cornwall; and to a longer run discussion of Cornwall (probably with the Isles of Scilly) gaining legal powers, freedoms and flexibilities at least akin to the most advanced metropolitan areas in England.

March 2011

Written evidence submitted by the Institute for Public Policy Research North

Summary

- A more “mainstream” approach to regeneration may hold out some benefits but in a context of severe cuts to public spending and on the back of a deep recession the risk of ceasing targeted investment in the most deprived neighbourhoods risks significant longer-term social and economic costs.
- There is little evidence of learning from the extensive and detailed evaluations of regeneration practice over the past two decades. The current approach would appear to be driven more by an ideological drive to reduce the role of the state.
- Key lessons from ippr north research on regeneration can be summarised as follows:
  - economic growth is necessary but not sufficient to improve deprived neighbourhoods;
  - the specific context of the functional economic area where a neighbourhood is located has a significant influence on improvement;
  - two factors consistently emerged as having explanatory power for improvement—or decline—in deprived neighbourhoods:
How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

It is difficult to describe the policies described in Regeneration to enable growth as a particular “approach to regeneration”. With the exception of some of the targeted investments, this is much less an “approach to regeneration” and more a list of government policies that might have some bearing on deprived communities.

In some respects this might be beneficial. Much critique of the previous government’s regeneration policy was that it depended upon special, targeted funding with insufficient attention focused on “mainstream” programmes and policies. Such an approach has been deemed divisive between neighbourhoods and unsustainable in the medium-long term. However, this new “approach” is likely to be divisive and unsustainable for different reasons.

In terms of division, the lack of a targeted or place-based approach is likely to benefit those people and places most able to make the most of its provisions. For example, there are already signs that free schools, rights to challenge and rights to buy are being taken up primarily in more affluent communities rather than in those more deprived communities which are most in need of regeneration. Furthermore, some of the most significant targeted investments will bring disproportionate benefits for the South of England over against the North: levels of investment in Crossrail, for example, greatly outweigh those in transport infrastructure in the North of England.

The new approach will prove unsustainable too as the geography of economic recovery and the strategy for economic growth favours investment in those places where there is the greatest likelihood of success, at the expense of those areas which are already struggling. Whilst there is a strong logic for encouraging agglomeration and supporting market-led improvement, we know that wealth does not “trickle down” as effectively as might be hoped. For this reason we do need targeted intervention on those neighbourhoods and localities which are most vulnerable to being left behind. Any approach to regeneration that does nothing other than encourage personal social mobility out of the most deprived neighbourhoods is destined to exacerbate inequalities with severe social and economic costs in the longer term. This will be made all the worse by the deep cuts currently being made to public service provision. As the costs of inequality grow, the approach will become increasingly unsustainable.

If this “mainstream” approach is to be made beneficial it must be accompanied by significant capacity and support for those areas most in need of regeneration. Most analysis shows though that through the removal of area-based grant and Working Neighbourhoods Fund the capacity in the most deprived areas is currently under severe pressure.

Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on?

Given the brevity of the Regeneration to enable growth document, there is little evidence that very much has been learned from past regeneration projects other than perhaps that significant targeted intervention does not always represent value for money. Whilst there is a legitimate critique of the effectiveness of large-scale, capital-driven regeneration projects or indeed more community-led holistic approaches like New Deal for Communities, to simply cease to invest in this kind of regeneration after a severe recession seems would appear to ignore even the counter-factual that without such investment over the past decade many places might have been considerably worse than they are today.

The dismantling of Regional Development Agencies, Local Strategic Partnerships and other local regeneration partnerships poses a very great threat to regeneration, not only through the loss of the “architecture” and investment that has underpinned regeneration in the past decade, but also in the significant loss of expertise and skill that has been gathered by regeneration professionals over the years. As a very simple and small example, the collapse of publications like Regeneration & Renewal and NewStart magazine are indicative of a situation in which learning and good practice about regeneration is increasingly difficult either to gather or to share.

What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

There is a wealth of research and evaluation about regeneration projects, not least systematic evaluations of area-based initiatives such as New Deal for Communities and reviews such as that undertaken by Michael Parkinson on behalf of the Northern Way. Space prevents attempting to summarise or highlight the findings of these numerous reports although IPPR North has produced a literature review of material evaluating regeneration programmes and approaches to tackling deprivation which is available upon request. In the space available
here, we will set out the findings of a significant piece of work produced by IPPR North with the Joseph Rowntree Foundation and The Northern Way during 2010.

During 2010, IPPR North carried out extensive research into the causes and consequences of deprivation during a decade of economic growth in the North of England. The research has focused on the economic performance of deprived areas within the functional economic areas of the North. Alongside a detailed review of the overall performance of the 8 Northern City regions in addressing deprivation, it undertook a detailed comparative study of six deprived neighbourhoods from three city regions in the North of England.

A matched pair of neighbourhoods was selected from each city region. In each case both areas share a number of characteristics, but had differing economic trajectories over the early part of this century, with one improving rapidly while the other lagged, from a similar starting point.

The research asked two core questions:

1. Within the context of the functional economic area, what are the key factors that contribute to improvement for some deprived areas and stasis or decline in others?
2. How deprived neighbourhoods can be better linked to economic opportunities in their wider local and city regional areas.

The findings showed that, by its very nature, multiple deprivation is complex, and there is a longstanding academic debate about whether policies to address it should target people or places. This research demonstrates that policies focused on both people and places matter. Policies geared towards people, such as measures to increase labour market mobility and improve individual skills, are very important in enabling individuals to get on. But, to address wider issues of deprivation, they must be complemented by policies addressed to the problems of places too, otherwise some people and places will be left behind, storing up problems for the future and further imbalancing our economy and society.

Policymakers should avoid a polarisation between policies targeted at people and those targeted at places as the interaction between people and places needs to be better understood and incorporated into policy thinking.

A number of key messages emerge from the research regarding the key factors that influence improvement in deprived neighbourhoods, and their links to the wider local and city regional areas:

1. Economic growth is necessary but not sufficient to improve deprived neighbourhoods;
2. The specific context of the functional economic area where a neighbourhood is located has a significant influence on improvement;
3. Two factors consistently emerged as having explanatory power for improvement—or decline—in deprived neighbourhoods:
   - residential sorting;
   - the internal and external relationships of a neighbourhood, or “community outlook”.
4. Other factors—such as approaches to tackling worklessness—are also important, but do not provide a consistent explanation for differences between improving and lagging neighbourhoods.

Economic growth and the wider economic context

Overall the life chances for individuals and the fortunes of neighbourhoods in which they live are significantly determined by the dynamics of their wider functional economic area, the strength of its economy and the availability of suitable jobs. Economic growth prior to the recession coincided with improving economic deprivation rates for the majority of poor neighbourhoods. However, a number of neighbourhoods saw little or no improvement and a small number declined, even in the most high performing city regions.

The specific economic context of the city region influences improvement. Strong economic growth from a low base generally resulted in the strongest improvement to economic deprivation rates, especially employment deprivation. It also appears that the dispersed economic opportunities of polycentric city regions (those with more than one economic centre) may have some advantages to those living in deprived neighbourhoods, who often have shorter travel horizons.

While economic growth should be a priority, it is necessary but not sufficient to shift economic deprivation. A rising tide does not necessarily lift all boats. The relationship between deprived neighbourhoods and their wider labour and housing markets must also be understood.

Jobs, skills and welfare to work

Worklessness is a key challenge in all deprived areas, but different deprived neighbourhoods face different contexts of worklessness and demand for labour. All six of the case study areas which have provided the detailed focus for this research have large proportions of their working age population claiming inactive benefits, but claims reduced more sharply in our improving areas. Three factors influenced changes to out of work benefit:

1. Population change served to concentrate worklessness in the lagging neighbourhoods, while in improving areas it diluted it.
— All the case study areas had large numbers of claimants aged 50 plus. Crucially, in improving case study areas, there have not been new claimants to replace those reaching retirement age and younger generations and incomers are not claiming out of work benefits. This suggests a measure of improvement.

— The context of the local labour market, including the availability of accessibility of entry level jobs is crucial. But proximity of jobs matters more for people accessing entry level employment, meaning the location of entry level jobs is important. Locally designed and neighbourhood delivered employment support and training interventions do not offer an explanation for different trajectories, as they were largely the same within each pair, but they do offer a source of innovation. The most successful schemes were flexible, sustainably funded and had a local presence, but crucially they were also linked into opportunities in the surrounding area. Local authorities, social housing providers and social enterprises all ran successful schemes but all were funded by revenue streams threatened by the budget cuts.

Our case studies demonstrate that effective employment schemes, jobs on the door step and access to good public transport is not always sufficient for people to move into employment. Other factors such as travel horizons, motivation and attitude create barriers to employment and explain some of the difference between improving and lagging neighbourhoods.

Housing and residential sorting

The characteristics of places are critical for the choices people make about where to live. Strategic place-focused interventions, designed in partnership with the community and with the wider housing market in mind, can pay significant dividends, tilting a neighbourhood into playing a slightly different function in its wider economic context and contributing to a wider, and more sustainable, neighbourhood improvement.

Where policy focuses only on individuals, the risk is that individuals with more resources and more choices will move to other neighbourhoods unless there are positive reasons for them to stay. This results in deeper concentrations of deprivation and “residualised” neighbourhoods with only the most vulnerable and those with the fewest choices remaining. The process of “residential sorting” that results in one area being deemed desirable and another undesirable, is a pivotal part of the story in explaining the different trajectories of our lagging and improving areas. Whilst population mass is an important issue for sustainability, it is the structure—who is moving in and out of the area—that matters most in determining its character.

In lagging neighbourhoods, poor management and upkeep of the area, poor facilities and housing, crime and antisocial behaviour and, in some cases, isolation, led to areas becoming neighbourhoods of last resort. This resulted in a residualised population, concentrated deprivation and reputational damage. In some cases it ultimately resulted in housing demolition, a policy of last resort which carries heavy social, economic and carbon emission costs.

Housing quality and choice, collaborative development, and the “clean safe and green” agenda play a key role in improvement, increasing residents’ quality of life but also making an area attractive to potential residents. By creating neighbourhoods of choice the risks of residualisation and spiralling decline can be minimised.

Some improving areas were considered to have been “brought back from the brink” through relatively small scale interventions designed in partnership with local residents. This emphasises the importance of good quality and sustained neighbourhood working, and the value of involving residents in monitoring neighbourhoods for signs of improvement and decline.

New build also helped attract new people to improving neighbourhoods, diluting the concentration of deprivation. This should not simply be seen as a “gentrification” process, as there is evidence of improvement among the “original” population too.

Community Outlook

“Community outlook” also has explanatory power for why some neighbourhoods have improved while others lagged. “Outlook” refers to the internal and external relationships of a neighbourhood that shape life for residents. For example the extent of social networks, the strength and nature of social capital, the vibrancy of voluntary sector organisations and the links between residents and the wider area (as measured by their travel horizons) and between community leaders and decision makers. Our research shows that together these factors all influence the general outlook of communities.

While the communities in all six case studies were similar in a number of ways, some aspects of community outlook seem to differentiate our lagging from improving neighbourhoods, although establishing cause and effect is difficult.

Improving neighbourhoods had active and well connected voluntary sector and community organisations, along with proactive community leaders working to secure improvements to the local neighbourhood. These achievements are often relatively small, but can become powerful stories of neighbourhood success. As stories of community action are rehearsed and repeated they can become part of the story of place, and part of the...
image that the area projects and which individuals learn to embody. This was ably demonstrated by an effective
neighbourhood social enterprise in one of our improving case study areas, whose work was known across
the city.

Effective community leadership emerges from a range of sources, including elected politicians (local and
parish), community activists and voluntary sector leaders. Those leaders that are able to make wider links to
decision makers and opportunities would appear to be instrumental in enabling positive community outlook.
In improving areas there are also indications that residents have wider travel horizons and wider work search
areas, suggesting more interaction with the wider area. However, cause and effect are particularly difficult to
disentangle here.

The relationship between voluntary and community organisations and the public sector appears essential in
terms of enabling improvement. One (lagging) case study area offers a cautionary tale about the sustainability
of voluntary and community organisations once public sector funding is withdrawn but in improving areas
there would seem to be a positive relationship between informal community activity and improvement.

Negative community outlook is more likely where there are high levels of worklessness combined with a
number of other factors, including: strong attachment to place, negative reputation, tight social networks, weak
community leadership and relative isolation. These places are least prepared to embrace the government’s Big
Society agenda, and this community outlook can pose a barrier to the uptake of employment and other
opportunities in the wider area.

Does Policy Matter?

Whilst the operation of wider housing and labour markets has clearly influenced the trajectory of our
neighbourhoods, public policy also plays a role. That said, the importance of its contribution is difficult to
quantify given the surprising lack of recorded material pertaining to the local impact of projects and
programmes, and an absence of outcomes monitoring. This has significant implications for future learning
and innovation.

Speaking to residents and stakeholders about what policy approaches have worked in their neighbourhoods
reveals a series of success factors, including:

- the importance of targeted interventions;
- continuity of funding;
- the co-location of services;
- local flexibility;
- the ability to link social and economic interventions;
- partnership working; and
- community engagement.

Neighbourhood level delivery is particularly important in areas where identities are strong and travel horizons
short. But to be effective it must be sustained over time, with neighbourhood workers coming to see themselves
as “part of the community”.

Despite the importance of understanding neighbourhoods in relation to their wider labour and housing
markets, links between strategies developed at city regional level and neighbourhood delivery are patchy. In
particular the links between economic and physical development on the one hand and welfare to work on the
other are weak. In a context of constrained public spending, it is essential that all public money lever maximum
benefit, with social programmes designed to ensure economic and physical developments result in employment
opportunities for those furthest from the labour market.

Further details and the policy implications of these findings can be found in the iipr north report Rebalancing
Local Economies: widening economic opportunities for people in deprived communities (2010).

Will it ensure that sufficient public funds are made available for future major town and city regeneration
projects as well as for more localised projects? What action should the Government be taking to attract
money from (a) public and (b) private sources into regeneration schemes?

I would refer the Select Committee to the report The Credit Crunch, Recession and Regeneration in the
North: What’s Happening, What’s Working, What’s Next? produced by Michael Parkinson on behalf of the
Northern Way and the extensive evidence base to be found on the Northern Way website relating to these
matters.

How should the success of the Government’s approach be assessed in future?

At a regional/sub-national level, the success of the government’s approach needs to be measured in its own
terms on the extent to which it achieves a rebalancing of the economy. In this case, this should include a spatial
rebalancing between functional economic areas. Having said that, it is important not to be preoccupied with
closing the gap between North and South. Whilst there is a genuine need to increase productivity and economic
growth in the North of England, it is more helpful to compare progress between what the OECD call “lagging regions” in the UK and similar regions elsewhere in Europe.

At a more local level, in very simple terms, the government’s approach should be measured by the extent to which there is improvement against the range of indicators of multiple deprivation across all neighbourhoods, most especially those suffering the highest levels of deprivation. Whilst government seems unconcerned about “closing the gap” between rich and poor neighbourhoods, there is growing evidence (for example in Richer Yet Poorer, IPPR North, March 2011) that inequality within and between city-regions is damaging for everyone and so it is important that measures of inequality form part of the analysis of success.

Finally, government is right to take an interest in measures of well-being. IPPR North research suggests that some of the softer, social indicators (see section on Community Outlook above) can be vitally important influences on the extent to which individuals and neighbourhoods can connect with opportunities for economic growth.

March 2011

Written evidence submitted by UK Regeneration

1. Summary

UK Regeneration broadly endorses Regeneration for Economic Growth as a useful, simple framework explaining how the Government’s policies will improve local communities.

We have set out (Section 2) how this current policy compares with core elements of previous policies and commented (Section 3) on the Committee’s specific questions. We highlight some points on housing and planning (Section 4) and conclude (Section 5) that this is an opportunity local authorities and the private sector to adopt new approaches.

Within this overall policy framework there are further steps by which Government would enhance the likely effectiveness of and chances of success for its policy. These are set out in the relevant sections. The most significant are:

- There should be more explicit recognition of the social and physical strands of regeneration in addition to the economic.
- An assessment should be made of the implications for local areas of the distributional effects of the Local Government Resource Review, the New Homes Bonus, the revised Community Infrastructure Levy and changes to planning obligations under s106, social housing investment, and other streams of government funding where formula distribution or discretionary choices determine the capacity of localities. This should include an assessment of the longer term implications of cumulative change over time.
- There should be a stronger focus on attracting private investment both in development and in businesses, with Enterprise Zones and Tax Increment Financing kept simple and public sector land used as a key lever.
- CLG should take a stronger lead in securing contributions from other Departments to the objectives of local economic growth and regeneration, especially to support a localist approach.

We propose that Regeneration for Economic Growth should be made a living document providing a single authoritative source for understanding the framework for action.

2. Background

2.1 Elements of regeneration policy

Regeneration has been a major feature of public policy for over 30 years, from the 1977 Labour Government’s Policy for the Inner Cities through Action for Cities in 1980s to the National Strategy for Neighbourhood Renewal and the Urban White Paper Our Towns and Cities.

Regeneration policies have had four main elements:

- **An identification of the geographical areas of concern**— most recently through the various indices -partly dependent on the balance of concern between physical, economic and social factors.
- **Specific delivery structures**— most frequently locally based partnerships but also separate statutory bodies, including Urban Development Corporations and the Regional Development Agencies.
- **Funding**: usually a special ring fenced fund (Urban Programme, City Challenge, Single Regeneration Budget, Neighbourhood Renewal Fund, Working Neighbourhoods Fund) is coupled with encouragement to make better use of all relevant public spending programmes. Distribution of funding has been a mixture of formulaic methods and various discretionary, bid based systems.
- **A well defined lead within central government** (usually CLG and its predecessors, but occasionally Cabinet Office) with a clear role of coordinating relevant action across government.
2.2 Recent policy development

Before the 2010 General Election it had become clear that the context for regeneration had changed, that it
was viewed much more in a narrowly economic context, and that the consequences of the financial crisis
were likely to reduce significantly the resources available for special purpose programmes. The British Urban
Regeneration Association (BURA) issued a framework for regeneration designed to promote debate ahead of
the general election. It proposed six principles around which policy should be assessed:
— Putting people first.
— Sharpening the focus.
— Making hard choices.
— Starting with the local.
— Being smart about money.
— Using the knowledge.

Regeneration did not feature explicitly in the major party election manifestos and UK Regeneration continued
to campaign for the Government and, Communities and Local Government department in particular, to
articulate a clear commitment to and explanation of its policy on regeneration. Ideas and proposals were set out
in a publication Regeneration: Big Society and Localism: Not the White Paper. This included an assessment of
the policy developed in the Coalition Agreement and the emergency budget.

2.3 The Coalition Government’s policy

In addition to the priority being given to deficit reduction and thus cuts in public spending programmes there
are three major elements of current policy of most relevance to regeneration.

The emphasis on localism has been carried through in a wide range of policy areas, including housing,
planning, and the approach to regional machinery.

Big Society potentially reinforces approaches which have been at the heart of many successful regeneration
programmes: full engagement of the community in leading change in a locality. It also has wider implications
for the delivery of related public services.

Measures to enhance growth should all be of some relevance to areas in need of regeneration. However it
remains to be seen how far these measures will encourage differential growth and support the Prime Minister’s
frequently expressed aim of “rebalancing the economy”. This is expressed in the Introduction to Regeneration
to Enable Growth as:
“we need every part of Britain to fulfil its potential so we can prosper and grow as a nation”.

To achieve this the Government says that the role of central government
“.... will be strategic and supportive:
— reforming and decentralising public services;
— providing powerful incentives that drive growth;
— removing barriers that hinder local ambitions, and
— providing targeted investment and reform to strengthen the infrastructure for growth and
regeneration and to support the most vulnerable”.

UKR welcomed the publication of the statement:
“We are delighted that the Government has set out a clear and very simple framework for regeneration.
In keeping with its drive on localism the government is focusing on enabling measures and a few key
strategic interventions on transport. This offers all of us a challenge: taking this framework, with limited
resources, and making things happen across the country. UK Regeneration is leading that drive.”

We offered more detailed views in a commentary the same day, noting the slimness of the statement and
setting out continuing action for both government and others. These included:
*First, action from government, where there is a unfinished business in delivering the toolkit:
— settle the details of TIFs;
— decide whether to revamp Enterprise Zones;
— find simple ways of getting public land into productive use;
— be bold about local government resources;
— give teeth to the commitment to rebalancing growth across the country; and
— hold to this light touch approach.

Some of these actions from government are underway or are expected in the Budget. However we continue
to argue for a number of key issues to be clarified or reinforced. We explain these below in addressing the
Select Committee’s questions.
3. **The Select Committee’s Questions**

3.1 How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

There are four major tests that should applied:

Does this approach provide an effective framework for both the private and public sectors to act?

Broadly UKR welcomes the overall framework. The strong commitment to localism and the simplification of statutory bodies offers a major opportunity for local leadership—principally politicians but also key members of the private and community bodies—to devise strategies well tailored to the needs of the areas. There will be a degree of suspicion that the Government’s hands off approach will be undermined by continuing over-prescription of programmes and funding. There are some unresolved tensions in the combination of localism and the Big Society, especially on the balance between the role of fully democratically accountable local authorities and smaller groups of people in neighbourhoods.

How will the emphasis on economic growth translate into improvements in social and physical conditions?

It is common ground that a successful local economy underpins other local improvements. Such an economy would reduce worklessness, become more attractive to new investment as spending power increased, and enable private development to support infrastructure, including transport, education, health and local amenities.

However there is a need for a clear and unequivocal restatement of the linkages and the necessary and complementary importance of the three factors. So far the Government has said that the policy is about providing localities:

“…. with local rewards and incentives to drive growth and improve the social and physical quality of their area”

The policy paper is called Regeneration to Enable Growth. It could perhaps have equally well been called Growth to Enable Regeneration. Localities and local authorities well understand the point but were the Government to acknowledge it specifically it would provide a sounder basis for ensuring that all policy areas were equally well aligned to local improvement.

**Recommendation**

There should be more explicit recognition of the social and physical strands of regeneration in addition to the economic.

Will the most disadvantaged areas have the capacity (financial and organizational) to act to close the gap with other areas in economic and social terms?

On funding this is not yet clear. The decisions on the Regional Growth Fund will give some indication of how far that special fund will be focused on areas with weakest economic conditions. The distribution of the New Homes Bonus will be determined by the rate of new house building (not in itself directly related to social and economic weakness), and, if successful in its aims, is likely to move local government funding towards areas with less economic need.

The Local Government Resources Review announced on 17 March will be critical. Its explicit aim is to give local areas more control.

“By letting councils repatriate their business rate income you make the system more straightforward and councils more self-sufficient in one fell swoop, whilst deprived councils would still get the support they need.”

But the more detailed terms of reference illustrate the difficulties that will arise in balancing the need for freedom with some idea of redistribution. The review will consider:

- “the best way to allow local authorities to retain their business rates to incentive growth, whilst ensuring that all have adequate resources to meet the needs of their communities;
- the extent to which these proposals can set councils free from dependency on central funding, along with further financial freedoms, whilst protecting the interests of local taxpayers;
- to ensure the right safeguards are in place; including how to fund those who collect insufficient business rates and keep control of council tax levels; the position of councils that collect more than current spending levels; and ensure protections for business; and
- implications for other policies such as New Homes Bonus, Business Rate Relief and Tax Increment Financing which allows councils to borrow against future revenue.”

There is a need for a wider debate about the overall implications of these changes in both specific funding and general local taxation. At the heart of the regeneration policy debate over many years has been the balance to be struck between “backing winners” i.e those places with clear potential for economic growth which can be
used to improve physical and social conditions, and “supporting losers” i.e. ensuring that places with fundamental damage to their economic base can deal with decline, of which one striking example has been the former coalfield areas.

There is a risk that the cumulative effect of the policy changes will be to reinforce a “winner takes all” effect: areas with economic growth coupled with new physical development will retain greater resources to support investment in infrastructure and services which in turn encourage further growth. UKR recognizes that public funding cannot be used in the long term simply to support areas with a weak private sector economy but such localities should not be put at risk of entering a spiral of decline through a disproportionate redistribution of available public funding.

Recommendation

There should be clear assessments of the overall resources available to individual communities and whether these reflect the varying needs for regeneration.

An assessment should be made of the implications for local areas of the distributional effects of the Local Government Resource Review, the New Homes Bonus, the revised Community Infrastructure Levy and changes to planning obligations under s106, social housing investment, and other streams of government funding where formula distribution or discretionary choices determine the capacity of localities. This should include an assessment of the longer term implications of cumulative change over time.

There is significant reduction in the number and scope of regeneration organisations. In their place are largely local authorities acting directly or through Local Enterprise Partnerships. Overall the simplification may be beneficial, focusing fewer organisations more on achieving outcomes. But there is a risk of transitional and permanent loss of knowledge and expertise that we consider below.

Is the Government equipped to ensure that actions across all relevant policies and programmes are consistent with its approach to empowering localities?

This follows from the previous point. The Neighbourhoods Group within CLG has a rubric on its organization chart that it is:

“responsible for creating the conditions which re-energise and empower individuals and communities to build successful cities, towns and neighbourhoods.”

It has responsibility for housing, planning, local economies and regeneration. While these are clearly vital elements there are major policy and programme areas within other Departments, including BIS, DWP, and DfES, which will need to contribute to the overall outcomes of enhancing local economic growth and securing wider regeneration. It would be helpful if the Government clarified how cross-departmental coordination is being achieved.

Recommendation

There should be a clearer expression of the contributions from other Departments to the objectives of local economic growth and regeneration, with an explanation of how CLG will coordinate changes, especially to support a localist approach.

3.2 Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on?

The most successful towns and cities have always placed individual projects, and particularly the use of government’s tailored initiatives, within a long term strategic approach to the economic, social and physical development of their areas. They recognise that regeneration is long term, that some complex projects may take many years to complete, and that consistency of approach is needed. Such places will continue to incorporate changes to overall policy and funding within their strategy. Those already working in this way are likely to welcome the freedom to shape and manage their own way forward. Other local authorities may take some time to take full responsibility for all the relevant activity.

However it is inevitable that the organisational changes will delay some decision making as responsibilities transfer, and some projects where discussions had been underway will not now be able to attract funding.

Recommendation

There should be further explanation of the transitional arrangements to ensure that some critical projects are not delayed.

3.3 Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

Private sector investment will be the main determinant of whether such projects can be delivered. During the last 30 years public funding has been used:
— To reclaim and bring back into use derelict and disused land of strategic significance to local areas and where the costs of clearance and renewed infrastructure exceed the potential value of subsequent development. There remain some such areas (and the government has retained some capacity to tackle them directly) but it is likely that in the future more interventions will involve the redevelopment of areas at least partly still in use.
— To lever private investment into new developments where the investment and end user market is weak, typically using gap funding grants.
— To support enhancements to existing or newly developed social programmes (eg breakfast clubs, health initiatives, training and work placements).

Regeneration for Economic Growth listed a number of large scale investments (eg in transport and housing) which will have some regenerative impact but the main elements available widely and with some discretion to apply to the purposes listed above are the Regional Growth Fund and the expected linkage to European funding. Clearly the quantum of funding could change over time within the policy framework, which is entirely flexible. However this is an opportunity to use complementary approaches directed at enhancing private investment (See 3.5).

3.4 What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

A regeneration industry has grown up around the implementation of the many central and local programmes over the last 30 years. There is a substantial body of expertise embodied partly in formal documentation, including research carried out by CLG and its predecessors and others, including the Joseph Rowntree Foundation. However the most effective, current and practical knowledge rests with individuals and the local organisations. There is a danger that a great deal of this will be lost with the substantial changes in existing organisations, including the completion of the New Deal for Communities partnerships, and the closure of the Regional development Agencies, Government Offices and Urban Regeneration Companies.

UKR identified this risk in the autumn and has subsequently been working with colleagues in the Neighbourhood Regeneration Association to develop and implement a framework to retain the information from the New Deal for Communities partnerships. This would be made available electronically in a form that enabled all those interested in regeneration and specific project delivery to see relevant recent experience and knowledge.

Recommendation

Government should more explicitly endorse independent initiatives to retain and make available the accumulated experience on regeneration.

3.5 What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

The two elements are clearly distinct.

For public funding Government can either directly allocate resources from specific programmes or create legal frameworks which allow others, mainly local authorities, to make such allocations from the resources under their control with the maximum degree of freedom.

For private funding the government needs to create a much broader framework including:
— Enterprise Zones— revised in the light of past experience.
— Tax Increment Financing— linked to EZs and wider local government funding changes.
— Tax Incentives for individuals to invest in businesses and areas.
— Making available public sector land on terms which focus more on longer term returns.

Recommendation

The policy statement should be extended to clarify how private investment will be attracted

3.6 How should the success of the Government’s approach be assessed in future?

There will be two distinct and complementary approaches to measuring success.

At local level we assume that individual local authorities or groups working together within Local Enterprise Partnerships will set out a clear plan of action and some broad measures of success. They will then need to report locally on whether actions have been delivered and the expected trajectory on measurable factors (economic growth, jobs or whatever) achieved. It follows from the Government’s stance on local accountability and reducing reporting and data requirements that this will remain a locally determined measure. In some areas there will be particular emphasis on the distribution of change ie whether there has been a more significant improvement in the economically and socially weakest part of the local area.
However the Government has set itself the overall objective of rebalancing the economy. This is similar to objectives defined by previous governments of “closing the gap”, bringing less advantaged areas closer to the norm in their region or the country as a whole. The 5 Host Boroughs for the London Olympics described this as “convergence”.

**Recommendation**

The Government needs to set out the data and trajectory which show “rebalancing”.

4. **Housing and Planning**

The way forward on housing, especially social and affordable housing provision and the benefit system, is critical to regeneration. This is the subject of intensive debate elsewhere but the impact on regeneration needs to be clarified.

**Recommendation**

There is a need for an overall restatement of housing policy, including specifically how it will contribute to improvement in the conditions in and the provision of additional social and affordable housing.

There is a similar debate underway on the localisation of planning and the Committee has already covered some of the issues. Two fundamental issues for regeneration are:

- more flexibility in permitted uses, particularly in declining town centres; and
- matching the ambitions of individual neighbourhoods (whether for change or conservation) with clear support for the most economically important development.

**Recommendation**

There should be a further statement on how planning will enable locally determined regeneration

5. **Conclusion**

In section 2 we identified four consistent elements of previous regeneration policy:

- Definition of target areas.
- Local special purpose machinery.
- Funding, both special purpose and main programmes.
- Central Government leadership.

Regeneration for Economic Growth has elements of continuity with previous approaches but also some radical departures, largely reflecting the focus on economic growth (although this had been a feature of the policy in the three years before the change of government) and the commitment to localism. The reduction in the availability of public funding gives added impetus to the need for private resources to be the main driver of change.

It follows from the commitment to localism that there is less need for a single national set of defined target areas. The Regional Growth Fund applies throughout the country and its second main objective is:

“To support in particular those areas and communities that are currently dependent on the public sector make the transition to sustainable private sector led growth and prosperity.”

While there is some relationship between deprived areas (as measured by previous indices) and dependency on the public sector this does not equate to previous targeted lists.

In place of target areas there needs to be some overall framework of measuring the extent to which the objective of rebalancing the economy is being met. We would also argue that if there is more explicit commitment to a broader definition of regeneration then the government needs to ensure that data collected on a range of social and economic factors is sufficient to allow analysis of the trends and spatial differences.

**Recommendation**

Government should ensure that suitable data is available for local decision making

The Government appears to have a pragmatic view of the need for special purpose delivery mechanisms, abolishing the RDAs but retaining a slimmed down HCA and some more narrowly defined Urban Development Corporations. Local Enterprise Partnerships are not intended to be (and should not become) delivery partnerships. The Government should ensure that local authorities, whether through the general power of competence or otherwise, have the ability to establish informal and formal partnerships and enter into agreements with the private sector, delegating powers where appropriate.
Recommendation

Debates on the Localism Bill can test out whether powers are adequate for all foreseeable local needs

There are sufficient mechanisms to deliver special purpose funding. Something similar to the Regional Growth Fund should be retained. As changes are made to the main stream local government resources there are likely to be anomalies and exceptions for which some directly allocated central funding can compensate. Any continuing fund should be made as simple as possible. Overall the emphasis in delivering local regeneration must be on main stream programmes, including locally raised taxation, and private sector investment.

Government is steadily redefining its leadership role. Again it is inevitable that localism leads to a much reduced role for central government and specifically that the task for departments should be enabling rather than controlling. But there is a key continuing function for central government in assessing progress across the country as a whole and ensuring that all areas at least have the capacity to take on the local challenges they face.

Overall UKR believes that the Government has offered a workable, light touch framework for regeneration across the country. In aiming for a very short and simple framework it has not dealt as explicitly as we would wish with some key issues as outlined above.

Recommendation

Regeneration for Economic Growth should be a “living” document which captures the evolving changes in legislation and policy development so that there is a single authoritative (but still short) point of reference.

References

Some key references follow. Hard copies are being made available separately.

1 See for example the key passage in the (Labour Government) Budget of March 2010:

“Over the last decade, the Government has put in place policies designed to ensure that all parts of the UK benefit from economic growth. But it is important that policy takes account of the different characteristics and prospects of different places. The Government’s regeneration interventions will be focused on tackling worklessness, investing strategically for the regeneration of places that offer realistic opportunities for transforming their economic performance, and on connecting people to economic opportunities in places with lower prospects”

2 Available at http://ukregeneration.org.uk/series/ntwp2/

3 Available at http://ukregeneration.org.uk/2011/01/31/a-call-to-action/


Written evidence submitted by the Royal Town Planning Institute

The Government has outlined what it sees as a radical and transformational agenda which it hopes will contribute positively towards the regeneration of towns, cities and rural areas throughout England. Underpinning this approach are the concepts of Localism and the Big Society, allowing policy and funding priorities and decisions to be made at a more local level than previously possible.

The RTPI welcomes many aspects of the approach, particularly:

— The increased emphasis on community involvement and empowerment.
— The recognition that successful regeneration is about people, place and economies and that integrated strategies are essential.
— The potential benefits of an increased emphasis on neighbourhood and community planning.
— The need to address the over reliance of some places on the underperformance of the private sector in delivering new jobs, especially in northern England.
— The importance of major infrastructure projects as a driver for growth.
— Payment by results/ eg Social Impact Bonds.
— The need for increased openness and transparency.
— The introduction of Local Enterprise Partnerships, their local business emphasis and possible access to funds.
— The need for a National Planning Policy Framework to identify national social, economic and environmental priorities.
The RTPI is concerned that these ambitions will not be realised or may be undermined by conflicting aspects of Government policy, principally:

- The reduced powers that local councils and neighbourhoods will have to ensure that development is encouraged to deliver regeneration in areas of need.
- The speed of implementation of major structural, policy and organisational changes.
- The potential for the overall effect of the policies to leave the economically weak areas further disadvantaged.
- The lack of resources/scale of reduction of resources to Local Authorities, housing providers and the third sector.
- The removal of key skills in regeneration and specialist advisors.
- The loss of coordination at the larger than neighbourhood or Local Authority area.
- The lack of clarity over the Local Authorities future duty to cooperate.
- The lack of transitional arrangements.
- The lack of clarity about monitoring arrangements.

**THE ROLE PLANNING can PLAY in REGENERATION and SUSTAINABLE ECONOMIC GROWTH**

Planning plays a key role in the achievement of sustainable growth and in the regeneration of underperforming areas. Planning provides confidence for developers and investors that the quality of development to which they aspire will be echoed in the wider area. Planning brings together and co-ordinates the individual roles played by the public and private sectors, particularly in areas where intervention is required to provide the infrastructure and the land remediation needed to make development viable. In doing this, planning creates value—value to enable development to go ahead and value for the community in terms of better places and facilities.

Planning seeks to ensure that the range of facilities that a community needs to function—jobs, housing, recreation, shopping and health and education—is considered in any major scheme. Planning acts to reduce the adverse impact on communities when major development happens by helping to ensure that local roads and other facilities have the capacity to cope. Planning seeks to create inspiring places and developments and to get away from the “pattern-book” approach used by some developers. Planning provides assets that the public and the nation need—without planning, there would be far fewer homes for those in most need, for example.

Planning is the vehicle through which a community can get involved in, and help to shape, its own future in a positive and constructive way. Planning protects those assets—whether they are historic areas or open spaces—that we all value. Planning is key in ensuring that all development contributes to the mitigation of, and adaptation to, climate change and, thus, is vital to the achievement of our national and international targets and commitments. For example, planning seeks to ensure that developments do not take place in areas that are subject to flooding. Proper planning can reduce the reliance on the car and, at the same time, can encourage a healthier lifestyle in people. Planning provides the information and evidence so that hard decisions can be taken in an informed way.

**RESPONSES to Questions**

1. How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

   The Government seeks to devolve decision making powers and financial responsibility to the lowest level appropriate and to considerably reduce the involvement of Central Government. The Localism and Big Society agenda requires to be combined with clear national priorities set out in a National Planning Policy Framework (NPPF) and resourced Local Enterprise Partnerships (LEPs) if regeneration is to be effective.

   Thirty years of “regeneration” do not have a universally successful history but there are many successful examples during that period of community-led regeneration. This has been actively supported by the RTPI for many years through its extensive Planning Aid programme involving many planning professionals in a volunteering capacity.

   The overall effectiveness of the Government’s proposals will, however, be determined by the level of resources allocated at a national and local level to regeneration and the relative priority that Local Authorities can give to regeneration compared to their other duties. The Government has stated that the scope of local discretion will increase and some Councils will become effectively “Government free” in terms of how their resources can be allocated. This however has been undermined by the latest announcements to create a presumption in favour of development anywhere that is not designated Greenbelt.

   The combined impact of these proposals therefore is likely to lead to varied outcomes across the country. These outcomes will also be influenced by key factors such as the economic circumstances of the area. There is a real danger that the ambition to spread the growth and raise economic performance will not be achieved and that the relative disadvantage of parts of the North and Midlands will get worse. How will rural areas be affected as economic growth centres on the cities? A key question for Government therefore is how it will
ensure that the weakest areas do not get left further behind while the more affluent areas continue to move ahead and prosper.

This will be further compounded by other structural changes to organisations that make a significant contribution to regeneration outcomes. The demise of Primary Care Trusts and Strategic Health Authorities will create a vacuum, hopefully temporary, in terms of the ability of the health sector to contribute to regeneration programmes. It should be noted that one of the most fundamental aspects of regeneration programmes has been to address the serious life expectancy differences experienced by those living in deprived areas compared to more affluent areas. It will be important, therefore, for Government to ensure that the new Health Commissioning bodies engage positively with local regeneration programmes as part of their core activities.

2. Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on?

The last Government set up the Neighbourhood Renewal Unit (NRU) to ensure lessons and best practice from previous regeneration programmes were shared. This led to the establishment of Regional Centres of Excellence (RCEs), the Academy of Sustainable Communities (ASC) and the Commission for Architecture and the Built Environment (CABE). These have either been closed or absorbed into other organisations by the last or current Government and it is unclear how best practice will be embedded in future.

The Government also introduced the concept of Neighbourhood Renewal Advisors, now called Local Improvement Advisors (LIAs), independent experts who could be called in to support struggling projects. This programme has actively supported regeneration projects for over 10 years but ends in March 2011. The absence of organisations like the RCEs and experienced individuals such as the LIAs will place greater emphasis on Local Authorities and CLG at a time when their own resources are being severely depleted. A detailed proposal from CLG on how best practice will be captured and disseminated in future is needed.

Local authorities are losing the specialist skills necessary to deliver effective, sustainable regeneration (including design, heritage, community engagement, regeneration). There is, therefore, an increased level of risk of poorly designed, unsustainable development and of repeating the mistakes of the past.

3. Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

The Government is implementing a programme of major reductions in public expenditure as a means of reducing the overall budget deficit. Regeneration programmes cannot be immune from this. However it is considered that as a result of these severe resource pressures much of the Government’s Localism Agenda faces the significant risk that through inadequate funding and resources little may happen in the areas of major need at a critical period.

This will place even greater weight upon maximising the contribution that private sector investment can make through the development management powers of planning authorities. Without this, experience shows that such investment will be diverted away from regeneration opportunities and often result in displaced investment from established areas (in effect increasing the areas requiring regeneration). In addition the potential to harness local initiatives will be frustrated if the power to manage development through the planning system is undermined by the proposed changes announced by the Chancellor.

In addition many of the Government proposals described in “Regeneration to Enable Growth” such as participation in the structures for local councils and others will be resource intensive. With enhanced local Community Rights, Neighbourhood Orders and Plans, conduct of referenda and ensuring fit with Core Strategies and other LDF documents, the resource burden will coincide with severe local authority and public expenditure reductions. A further difficulty is future dependence on regulations and implementation orders which the Secretary of State is obliged to make, about which there are few details.

The loss of Local Authority and other funding to the voluntary/community sector is already having a serious impact on many organisations. This runs counter to many of the intentions and aspirations of the Big Society and is likely to limit the capacity for third-sector led regeneration projects.

In addition, fundamental changes are proposed in the housing sector and of particular note is the recommended change to the funding regime of the HCA that will move payments to completion, rather than phased throughout with up to 40% being claimed at the outset of works. This will have a detrimental effect on developers’ cash flow and could further reduce appetite for development.

4. What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

A recent review of regeneration programmes identified that a key lesson is that successive programmes had not impacted on the most deprived areas—the same areas featured in the most deprived neighbourhoods 25 years later despite numerous different attempts to turn their fortunes around. However regeneration programmes
have been successful when there has been integration of programmes, a long term commitment within a strategic (ie planned) context.

The RTPI would be able to assist in the promotion of best practice through its existing networks (including the RTPI Regeneration Network), regions and nations, practice information, events programme, publications and website.

The ingredients of successful communities have been widely acknowledged and can be demonstrated by the “Egan wheel” illustrated below:

Most recently the Scottish Government has issued a Regeneration Discussion Paper “Building a Sustainable Future” (Edinburgh 2011). It uses the generally recognised definition of regeneration which is the holistic process of reversing the economic, social and physical decline of places where market forces alone will not suffice.

It restates the key lessons as being:

— The need for a combined physical, social and economic approach to regeneration (ie a strategic and planned approach).
— The importance of addressing worklessness to achieve lasting transformation of areas as a key consideration.
— Partnership working, along with strong leadership and clear visioning.
— The levels of funding and project timescales are critical. Evidence shows that many regeneration initiatives have been largely isolated from mainstream programmes and services, with governments tending to pursue short-term initiatives rather than taking a longer-term perspective driven by changes in mainstream services with greater local co-ordination.
— The need to engage communities in wider economic factors when planning neighbourhood interventions. Researchers highlight that gaps between policy intentions and outcomes remain due to an insufficient understanding of the function played by a neighbourhood area in the wider housing and employment market and the relationship with surrounding areas.

The conclusion the report reaches however is that many of the traditional models of regeneration have fractured. Development activity fuelled by rising land and property prices, funded via debt finance has been shown to be unsustainable. It recognises that with reduced public sector funding and capital grant new financial models and different ways of funding development will be required, and the relationship between the public and private sector will need to adapt accordingly. These conclusions apply equally to England.

5. What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

The Government proposed additions to the means by which private sector resources can be attracted (notably the New Homes Bonus, the Community Infrastructure Levy and Social Impact Bonds) have yet to be proven in the terms of the extent and scale of their impacts. However previous successful regeneration programmes had two critical features: long term interventions (more than five to 10 years) and a reliance on public sector funding to pump prime the programme while private sector is nurtured. In the current economic climate it is
uncertain whether the incentives that are on offer through the New Homes bonus, for example, will be maximised in all areas and fill the gap left by reductions in mainstream finance.

None of the Government’s “Regeneration to Enable Growth” initiatives, identified below, will in themselves ensure that sufficient funds are available for regeneration projects, whether at city wide or local level. The paper describes a very wide variety of initiatives, with most not directly related to planning or the planning process. It is acknowledged that DCLG and others have made commitments to these initiatives but many are still taking shape and their ultimate impact is therefore uncertain. Included in this are the:

- Supporting Communities and Neighbourhoods in Planning scheme, under which DCLG will fund neighbourhood groups to assist their production of Neighbourhood Development Plans and Neighbourhood Development Orders.
- The Sustainable Communities Act, giving communities and residents more powers to seek local improvements, including support for “barrier busting”.
- The training of 5,000 Community Organisers.
- The Community Right to Buy and Community Right to Build.
- The Community First small grants programme.
- The Big Society Bank, with around £300 million to invest in its first year. This compares with around £200 million a year already going into social investment.
- Local Council Asset Transfers.
- The Transition Fund of £100 million for community and Third Sector organisations spending at least 50% of total income delivering public services for listed groups.
- Rural Community Action Network with £8.5 million until 2014.

The Localism agenda and the “Regeneration to Enable Growth” paper could be reinforcing if there is greater emphasis on the special features of particular places. Each locality has a particular heritage whether it be industrial or rural, inland or coastal towns and the role of heritage as a means to delivering dramatic physical and economic transformations could be significant. Identifying and emphasising local heritage will help to raise local pride and reduce the problem of clone towns.

It is recognised that in the short term funding will be limited as the Government seeks to reduce the budget deficit. One potential funding source that could be used to a greater extent after the 2012 Olympics is the National Lottery.

6. How should the success of the Government’s approach be assessed in future?

There are a range of tests that should be applied to assessing the success of the Government’s approach. These include for example:

(i) The net additional jobs created, excluding those diverted or displaced from other areas;
(ii) The scale of land renewal in terms of the recycling of former urban land and clearance of dereliction and decontamination, reduced vacancy levels etc;
(iii) The reduction in the levels of social exclusion within the regeneration areas eg in terms of relative unemployment rates and other measures of social disparity;
(iv) The improvement in the quality of environment eg actual extent of “greenspace” and perceived improvement in the levels of satisfaction by local communities; and
(v) Level of civic / community engagement—the widening of the “civic core” in terms of those involvement in forms of community / neighbourhood activities.

A key test for Regeneration programmes at a national level will be whether they have reduced the gap between the more affluent and less affluent parts of the country. At a local level this overall indicator is also appropriate. This should be measured in terms of the relative regional or local economic performance but other factors such as relative life chances are also relevant.

The current programme of national regeneration projects, in particular the 39 New Deal for Communities programmes and the Neighbourhood Management Pathfinders are coming to the end of their lifetimes. These have been long running experiments with major community involvement which in many ways is in line with the Government’s Localism aspirations. There has been extensive evaluation of these programmes. It is recommended that the outcomes and successes from these programmes are suitably highlighted and the lessons documented. Indeed since many have established long term succession organisations and structures not reliant on public sector support their ongoing progress should also be monitored, alongside that of previous programmes such as the Urban Development Corporations and Housing Action Trusts of the 1980s and 1990s which laid the foundations for many of the programmes that followed.

March 2011
Regeneration to enable growth outlined the Coalition Government’s new approach to regeneration.

lives and opportunities of local people and unlock growth. regeneration—corralling resources, and working collaboratively with local service providers to improve the come together to agree priorities for their area, and work in partnership to drive forward their plans for
growth. Every place has the potential to grow, but growth is harder to achieve in some places than others. Regeneration is a vital component of our approach to growth and to rebalancing the economy.

The scale of public deficit means that previous models of regeneration which relied heavily on public sector subsidy are now simply unaffordable. Moreover, previous approaches were often characterised by bureaucracy and top-down directives, and failed to respond to local circumstances, needs and priorities. These approaches didn’t work. Many places are overly reliant on the public sector and still face significant challenges. We need a new approach.

The Government is putting local partners in the driving seat—providing the right mix of incentives and tools to enable local residents, councils, businesses and civic organisations to regenerate and grow their area as they see fit. We will play an enabling role—reforming and decentralising; providing incentives for growth; removing barriers; and making strategic investments to provide vital infrastructure for growth and regeneration.

This approach will better deliver local regeneration and growth. It is now for local partners to respond and determine how they use the regeneration toolkit to address local priorities.

The Coalition Government’s Commitment to Regeneration to Enable Growth

1. Over the last decade, our economy became more and more unbalanced, unstable and unfair. We are now paying for those mistakes with the highest level of public debt on record.

2. The Coalition Government’s first priority is restoring the health of the national economy by reducing the deficit and returning the UK to sustainable, balanced economic growth. Every place has the potential to grow, but growth is harder to achieve in some places than others. Regeneration is a vital component of our approach to growth and to rebalancing the economy.

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Regeneration plays a vital role by addressing local failures in the land market, labour market and capital market which in turn remove market barriers that prevent economic growth.

**WHY DO WE NEED A NEW APPROACH?**

13. Over the past 10–15 years regeneration became overly reliant on large-scale direct public sector investment, and this was not only unsustainable, but there is anecdotal evidence that it also may have discouraged private investment. For example, studies have shown that (a) regeneration can raise land prices, through landowners’ “hope value”, which increases risk for private sector investors,68 and (b) the complexity, and bureaucratic nature of public sector led regeneration partnerships can act as a strong disincentive to private sector investment.69 Moreover, the recession, the scale of public deficit, and the resulting squeeze on public finances mean previous models of regeneration are now simply unaffordable.

14. That said, even if funding conditions were more favourable, we wouldn’t pursue the same model. The limitations of previous approaches to regeneration signal the need for a new approach:

- **Modest results**
  10 years of intense investment brought some positive changes to deprived areas and neighbourhoods, but these improvements were relatively modest despite favourable economic conditions. The gap has narrowed but not closed.70 Today many places are overly reliant on the public sector and still face significant challenges in spite of years of intensive regeneration funding— in particular ex-industrial areas which, despite significant regeneration investment, continue to face long term decline, and much higher unemployment rates than elsewhere in England.

- **Failure to tailor to local circumstances**
  The previous Government relied too heavily on direction and control from Whitehall. Evaluation of the New Deal for Communities71 suggested that the initial top-down requirement for a delivery plan containing target outcomes for worklessness, health, education, crime, housing/physical environment and community was unrealistic and encouraged spreading resources too thinly, without due regard to local circumstances and priorities.

- **Failure to involve local people**
  In the past, too many people felt that regeneration and growth were “done to” them rather than being something they were part of. This caused resentment and disengagement.72 Regeneration partnerships have often lacked meaningful community representation, and the needs of local residents have been overlooked.73,74

- **Bureaucracy**
  Too often, we have seen multiple activities and funding streams going into the same area, each with its own silo bureaucracy and reporting arrangements. For example, research in Liverpool in 200675 identified over 30 different regeneration initiatives, each with different funding sources and structures.

**THE NEW APPROACH—CONNECTING LOCAL GROWTH AND REGENERATION TO DELIVER LONG TERM SUSTAINABLE GROWTH**

15. The Government’s approach to policy making and public services is to decentralise decision making to the lowest appropriate level—to individuals, public service professionals, neighbourhoods, communities, democratically accountable local authorities, and other local institutions—and give them maximum scope to come up with solutions that meet the needs of their own localities.

16. Decentralisation should result in improved outcomes:

- **Higher Growth**
  - By Decentralising to Individuals and Households
    Individuals and households, and the choices they make to improve their wellbeing, drive the market. Opportunities for growth are best created when policies are designed to provide individuals and households with the capability to make the choices that are best for them. This market driven approach ensures that providers must compete and innovate to meet those preferences.

68 Factors affecting private investment in regeneration: Urban Research Summary No.6, Department for Communities and Local Government, 2006
69 Evaluation of the Single Regeneration Budget Challenge Fund, Department for Communities and Local Government, 2007
70 Evaluation of the National Strategy for Neighbourhood Renewal—Final Report, Department for Communities and Local Government, 2010
71 New Deal for Communities 2001-05 An Interim Evaluation Research Report 17, ODPM, 2005
72 National evaluation of housing market renewal pathfinders 2005–07, Department for Communities and Local Government, 2009
73 Evaluation of the National Strategy for Neighbourhood Renewal: Local Research, Department for Communities and Local Government, 2010
74 Urban regeneration through partnership: A study in nine urban regions in England, Scotland and Wales, Joseph Rowntree Foundation, 2000
75 City leadership: giving city regions the power to grow, Centre for Cities, Marshall & Finch, 2006
— By Decentralising to Communities
Communities can contribute to growth by strengthening and building "social capital" (such as community goodwill and trust). Social capital is built when policies bring people together as communities and networks to establish trust and cooperation. This can increase wellbeing, but also provides the trust and relationships between consumers and providers that can enable economic growth.

— By Decentralising to Local Government
Local governments can contribute to growth by tailoring policy solutions to best support the local needs of individuals, households and communities. Society and the economy grow better when governance provides the fiscal, administrative and political frameworks that best reflect people's preferences. Experimentation and innovation in local service delivery can also result as different places try to find solutions through different approaches in different areas.

— Improved Services
Decentralisation can help deliver better quality, more efficient and responsive public services by removing unnecessary and expensive bureaucratic burdens, reducing prescription, increasing choice and transparency, and better aligning services with user preferences.

— Greater Civic Participation
Decentralisation will give every citizen the power to participate and change the services provided to them through better information, new rights, greater choice and strengthening accountability via the ballot box. Engagement of the local community can bring benefits for those who get involved and can contribute to more successful outcomes for local communities.

17. The result of this process of decentralisation will be that individuals and communities will increasingly take responsibility for improving their own area, as part of helping to build the Big Society. Government's role will therefore be:

— to set the national policy framework within which other actors can best perform their role; and

— to support, where necessary, the transition by providing people and communities with the necessary rights and tools to information, to influence services, and to hold service providers and institutions to account.

18. Our new approach to regeneration builds on lessons about what does and doesn't work:

— By including regeneration as part of our agenda for economic growth, we are ensuring that regeneration strategies link people to the opportunities brought by economic growth so are more likely to deliver lasting change to peoples' lives. Evidence shows that regeneration strategies are more effective if they consider the needs of local people in terms of skills, mobility between places and other barriers to work, in addition to investment in infrastructure and the quality and environment of a place, where appropriate.76

— By removing top-down requirements and increasing local control, we are ensuring that local people, not Whitehall, will shape the future of their area, and that regeneration and local growth are defined in a way that best suits local circumstance. Evidence demonstrates the importance of locally designed and delivered interventions which can take into account local conditions and address locally specific barriers to people finding work.77

— By tackling bureaucracy and bringing an end to top-down reporting requirements, we are ensuring more efficient use of resources.

— Increased funding flexibility will allow local partners to channel resources to address their priorities. Removing ringfencing from funding has helped local authorities take a more strategic approach to regeneration.78

— A range of measures are being provided to support private sector investment and engagement in driving economic growth and rebalancing the economy (see paragraph 25).

— And Local Enterprise Partnerships will work across boundaries so that interventions to drive local economic growth can take account of the wider economic context.79 The partnerships established so far are already setting out plans, for example, to attract investment, boost tourism, or strengthen transport links.

19. It is not for Government to identify which areas need regeneration, or define what it is, what it should look like, or what measures should be used to drive it. As guardians of taxpayers' money, neither is it for us to throw money at a problem when other solutions or funding sources could be found, nor to try to artificially hold back the inevitable evolution of communities.

20. Instead, we believe that it is Government's role to:

76 Strategies for Underperforming Places, Spatial Economics Research Centre, 2010
77 Action to reduce worklessness: what works? Local Economy, 24, Green A E and Hasluck C, 2009, pp.28-37
78 Working Neighbourhoods Fund: Scoping Study, Department for Communities and Local Government, 2010
79 Functional Economic Market Areas: An economic note, Department for Communities and Local Government, 2010
Delivering the Approach

22. We should not be fooled into thinking we are starting from scratch here—local partners have not waited for Government to give them permission to take ownership of their local area. Many community groups and partnerships are already active across the country, and have been for years. The Baytree Renewal Area in Manchester for example, where Grant Shapps and Andrew Stunell outlined the Government’s approach to regeneration on 31 January, was established as the result of a campaign by the local residents. The physical improvements brought to the housing and streetscape were designed in partnership with local people, and residents also successfully bid for lottery funding to convert an overgrown allotment into a children’s wildlife garden and adventure area.

23. What is new is the toolkit of flexibilities, tools, powers and incentives that Government is now providing that can be used to support locally-led regeneration and growth. The high levels of take-up of many of these opportunities show how welcome they are and how ready local partners are to take advantage of them. For example there were 87 applications for the Neighbourhood Plan front-runners, and there were 28 applications for Government to give them permission to take ownership of their local area. Many community groups and partnerships have been asked to come forward to identify Enterprise Zones within their boundaries, and announced that a further ten will be identified through competition amongst all other Local Enterprise Partnerships.

24. Regeneration is more likely to succeed if the conditions for economic growth are met. Through the Growth Review, the Government is undertaking a root and branch review of how growth can be accelerated. Measures announced in last week’s Budget included:

- Government will establish 21 new Enterprise Zones in Local Enterprise Partnership areas in England. Through a combination of fiscal incentives, reduced planning restrictions and other measures, these Zones will help kick start new investment and drive the creation of new private sector jobs in the areas they cover. The Budget named 11 Local Enterprise Partnerships who have been asked to come forward to identify Enterprise Zones within their boundaries, and announced that a further ten will be identified through competition amongst all other Local Enterprise Partnerships.

- The planning system will be reformed and simplified through a range of measures:
  - The current suite of National Planning Policy Framework documents will be condensed into a concise easy to use document.
  - The new Framework will be inherently pro-growth, underpinned by a powerful new presumption in favour of sustainable development. This will ensure that the default answer to development and growth should be “yes” unless this would compromise the key sustainable development principles set out in the National Planning Policy Framework.
  - A range of measures to simplify the planning process will be consulted on.
  - Piloting the use of land auctions on public sector land—auctions of parcels of land with planning permission to increase competition and bring greater certainty and reduced risk for developers.

- Government is amending the stamp duty treatment of bulk purchases of residential property to boost the private rented sector and house building activity by attracting investment from other funding sources besides mortgage finance.

- Government will accelerate the release of public sector land to encourage new homes and jobs. The Homes and Communities Agency is leading the way, making use of Build Now, Pay Later techniques to speed up delivery and ensure value for money. It will shortly announce the first tranche of available sites, with a comprehensive strategy for bringing more land forward being published in May. In the future, Departments holding land will publish their release programmes and be held to account for delivery of new homes and jobs created as a result.

- A range of measures to support small and medium enterprises, including:
  - no new domestic regulation for firms with fewer than ten staff and new start-ups over the next three years;
— extension to the temporary one-year increase in Small Business Rate Relief for a further year, benefiting over half a million small businesses;
— £180 million for up to 50,000 additional apprenticeship places over next four years;
— Research and Development tax credits;
— Continuation of the Time to Pay scheme;
— UKTI support to Small and Medium Enterprises who want to export;
— extension of the Enterprise Investment Scheme and doubling of Entrepreneurs’ Relief to £10 million; and
— 1p reduction in fuel duty and deferral of the planned increase.

25. A wide range of actions are already underway to attract the private sector investment, drive growth and encourage private sector engagement in going for growth. For example:

— The creation of Local Enterprise Partnerships has given local communities and businesses the opportunities to support economic growth and regeneration in their areas by addressing the particular barriers to growth they face. 31 Local Enterprise Partnerships have been announced so far, covering 87% of England’s population.

— The Regional Growth Fund is aimed at supporting projects and programmes with significant potential for creating long-term private sector-led economic growth and employment. In particular, it will help those areas and communities that are currently dependent on the public sector make the transition to sustainable private sector-led growth and prosperity. Schemes submitted in Round 1 of the Regional Growth Fund are being considered and successful bids will be announced shortly.

— The Local Government Resource Review is considering options to enable councils to retain their locally-raised business rates. Such an approach will help provide incentives for local authorities to promote economic growth and help to further encourage a positive relationship between local government and business.

— The Review will also deliver proposals to introduce Tax Increment Financing powers, allowing councils to fund key infrastructure projects by borrowing against future increases in business rates, thereby freeing up development opportunities that would otherwise not have been taken forward.

— The Government is reforming the way in which it ensures that business start-ups and existing Small and Medium Enterprises can access the information, business advice and enterprise support they need. This will support enterprise creation and growth, and support economic development in local communities.

— UK Trade and Investment is putting in place new arrangements for provision of sectoral and local support for foreign direct investment through a single national framework for England (outside London). Local Enterprise Partnerships will be important in ensuring these new arrangements fully reflect the local offer.

— The Government is freeing learning providers from outside interference so they are able respond to local training needs and market demand to support the growth and regeneration of their local economy.

— A range of other tools already exist that local authorities could also use to support businesses and deliver local improvements. For example Business Improvement Districts are partnerships between a local authority and local businesses to develop and deliver priority projects and services that will have a direct, positive impact on the trading environment in a defined area. These can include public realm improvements, improved promotion of the area, or extra safety and security measures.

26. The Localism Bill, currently before Parliament, also provides for other elements of the regeneration toolkit, including:

— Measures allowing local businesses much more say with regard to business rate supplements, allowing them to vote for and in effect approve all future planned economic development projects that they will be funding.

— Powers for local authorities to introduce discounts on business rate bills, allowing councils to attract and retain local business, for example in particular locations or from particular sectors (within the constraints of the state aids rules).

— the General Power of Competence which will, for the first time, give local authorities genuine freedom to act in the interest of their local communities.

— measures to enable local communities to save valued community assets, and challenge to run local services.

— proposals for neighbourhood planning, whereby local communities will be empowered to shape the planning policy for their areas, including what new development should take place, what it looks like and where it goes.
27. Several other elements of the regeneration toolkit are already in place or are in train, including:

- The **Homes and Communities Agency** was re-launched in November 2010 as a smaller investment and enabling body working for local communities on their priorities. The Agency will deliver up to 150,000 new affordable homes over the next four years.

- We announced in February the outcome of bidding to the HCA for **decent homes** funding for 2011-12 and 2012-13 and indicative funding allocations for the following two years. The Decent Homes Backlog programme will invest over £2 billion to improve the conditions of people’s social homes in some of the most deprived areas. Some of this funding will make possible wider regeneration schemes for difficult estates.

- In February, the Homes and Communities Agency published its first list of all Agency **land and property assets** as part the Government’s transparency agenda. This information could enable local partners to work with the Agency to support the assembly of local land development opportunities.

- The Government is working with 16 local areas to develop the first phase of **Community Budgets**, focussing on the needs of families with multiple problems. These will pool and/or align the national and local funding they need to deliver transformational solutions for these families. We are working with several other areas to pool and align budgets at a local level. These include a number of areas that are looking to develop a **Local Integrated Services** approach, which seeks to address entrenched problems through involvement of communities in the design, commissioning and delivery of locally tailored services, responding to local need and priorities.

- The final **New Homes Bonus** scheme was published on 17 February. The Bonus will include bringing empty properties back into use—providing an incentive to those authorities which refurbish existing homes and tackle blight. There will be no penalty for demolishing homes which are already recorded as long-term empty—providing an incentive to press ahead with renewal programmes already underway. And in addition, as unringfenced funding, the Bonus will provide a significant, flexible resource which can be reinvested in regeneration and growth.

- We have committed £100 million as part of the **Affordable Homes Programme** to bring empty homes back into use. Funding is available from April 2012 and HCA have invited expressions of interest from interested parties.

- The proposals for **NHS and public health reform** give local government the freedom, responsibility and funding to innovate and develop their own ways of improving public health in their area, to make a major impact on improving people’s health and tackling health inequalities in every community. Local authorities will receive a new grant and a premium that rewards progress in improving health and reducing health inequalities.

- The new **Work Programme** will play a crucial role in getting people back to work. Government will no longer prescribe what support providers will offer individual clients. Instead it relies on the market to decide what works best in different local labour markets across the country. Providers will be paid on the results they achieve. They will need to work side-by-side with local partners if they are to be successful and deliver the best possible outcomes. We are now evaluating bids to deliver the Work Programme and remain on track to begin in the summer.

- Through Broadband Delivery UK, we are investing £530 million to deliver **superfast broadband** to areas that the market will not deliver to. This will ensure that an acceptable level of broadband is delivered to households, business and communities in rural and other remote parts of the country that are currently excluded.

- Government responded to the **Clapham Review of Coalfields Regeneration** on 10 March setting out the Coalition Government’s commitment to continuing support to communities in coalfield areas, including £130 million to complete viable committed schemes and £50 million for the Coalfields Regeneration Trust for the next two years.

- Strategic leadership for the **Thames Gateway** is now coming from a group of local authorities and business leaders in London, Kent and Essex, and the Mayor of London, who collectively have responsibility for setting the direction that development should take within the Gateway and where investment incentives should be directed. We have also announced plans to transfer the functions of both the London and Thurrock Thames Gateway Development Corporations to the relevant local authorities, or other London bodies.
28. DCLG launched its Barrier Busting Portal on 15 December, providing local community groups, individuals and local authorities with direct access to a team of Whitehall barrier busters dedicated to helping local people put their ideas into action. A number of cross-cutting regeneration cases are already being considered, in addition to many cases on individual issues such as planning, barriers to increasing volunteering, and acquiring assets. Barriers being addressed include Government legislation, information and capacity gaps, and local differences in priorities.

29. DCLG is also working with four vanguard communities to help them deliver their vision of the Big Society by, for example, working with colleagues across Government to remove identified barriers where we can, or helping community groups can turn their local plans into reality, such as the installation of rural broadband or giving people a greater say on local development and budgeting. We are also working with other communities who have now approached us with some specific proposals to grow the Big Society in their communities. A number of other local authorities have also shown interest in this work.

30. The Committee will no doubt be keen to discuss recent cuts in direct regeneration funding. We recognise these are posing challenges for some areas. However, we have taken steps to ease the transition as far as possible, for example:

- As part of the local government funding settlement, we included a transitional element to ensure that no area will face an excessive cut in public funding next year.
- The Homes and Communities Agency and DCLG are working with housing market renewal and growth areas to help them manage the transition and identify alternative funding sources, including New Homes Bonus, and bring a stronger emphasis on refurbishment including community based renewal projects. A new £5 million transition fund was announced on 31 January to help safeguard and develop expertise and capacity in the five worst affected areas.
- The Spending Review provided £1.3 billion to deliver existing Regional Development Agency and Homes and Communities Agency commitments, so that subject to value for money current projects which are valued by local communities are seen to completion.

31. Not all regeneration and growth programmes require large sums of money, but where direct funding is needed, a range of sources are still available. Local partners in many areas are already proactively considering how to take forward their plans through a combination of thinking creatively about alternative ways of delivering their aims, attracting alternative funding sources, and seeking opportunities for collaboration and efficiencies. These include:

- the applicability of sources of direct funding such as the Regional Growth Fund, European Regional Development Fund, Rural Development Programme for England and Community First;
- the income that the new incentives schemes (eg New Homes Bonus) could provide;
- the potential of options such as tax increment finance, community shares and social impact bonds;
- building up an asset portfolio and using it to generate an income stream; and
- ways of attracting and leveraging private sector investment, including through assets and venture capital approaches.

32. Moreover, direct regeneration funding has always been dwarfed by mainstream and infrastructure spend, and Regeneration to enable growth describes a wide range of mainstream and infrastructure programmes that, despite unprecedented public spending constraints, continue to contribute to regeneration and growth and support disadvantaged people and places. This includes investment in affordable and decent homes, transport, business support, skills, education, employment and health services.

33. Whilst we expect local authorities to take the lead in building the capacity of local communities, central Government has a role in galvanising and enabling the transition to the Big Society. As cited above, there are many examples where local partners and communities are already involved in improving their area. However, we recognise that some communities may need more support, and several actions are underway on this:

- The training of 5,000 Community Organisers. Working within communities and with existing community organisations these Organisers will build the local networks and leadership that will give communities greater confidence and capability to shape their future.

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80 HS2 London to the West Midlands: Appraisal of Sustainability, Booz & Co (UK) Ltd and Temple Group Ltd, February 2011
— **Community First** grants will encourage more social action in neighbourhoods with significant deprivation and low social capital. Neighbourhood groups will work with businesses, charities and public authorities, encouraging people to help others and themselves to improve the quality of life locally.

— **Actions to attract social investment.** Growing the Social Investment Market\(^{81}\) sets out our strategy to ensure social ventures can access the capital they need to grow and help build a bigger, stronger society, including the key role of the **Big Society Bank** as a wholesale investor and champion of the market.

— £100 million **Transition Fund** enabling charities, voluntary sector and social enterprises currently heavily reliant on public funding to adapt to and manage the transition to a different funding environment.

— An emerging programme of work from **Groundwork** focusing on building social capital, economic inclusion and environmental sustainability in some of the poorest places. Groundwork will work with local organisations, offering advice and support to help them build their capacity to drive forward local projects, secure funding and engage the wider community.

34. The Homes and Communities Agency is on call to local authorities to provide specialist expertise and technical services across a range of housing and regeneration issues. The role they play will vary according to place, capacity and local need, but could include masterplanning, economic appraisal, brownfield land, procurement, leveraging in private investment though joint ventures and help with securing and making best use of land and property assets.

35. Specialist sector-led organisations such as UK Regeneration also have a role to play in supporting those involved in regeneration, including sharing experiences, promoting knowledge of what works, and building professional skills and networks.

36. As set out above, Government has already brought substantial change to the regeneration landscape and provided a wide range of tools, powers and incentives that form the regeneration toolkit, but there is more to come. **Upcoming milestones** include:

— The Government will consult on the revised National Planning Policy Framework over the summer, with the aim of finalising the Framework by the end of 2011 if it is possible to do so.

— The first Community Budgets will be in place from next month, and the intention is that all areas will operate Community Budgets by 2013–14.

— The Local Government Resource Review will deliver proposals in July 2011.

— Bids that are successful in round one of the Regional Growth Fund will be announced shortly. The second round will open on 12 April.

— From April, local District Managers at Jobcentre Plus will have greater discretion to tailor support to local needs, working with local partners, including local authorities and Local Enterprise Partnerships, to secure more sustainable employment for those out of work.

— DCLG and the Office for Civil Society are considering the capacity of different communities to participate in the Big Society and take advantage of the new Community Rights and other opportunities. In the next few months, we will publish a web document setting out the vision for the Big Society, the opportunities and rights it offers, our analysis of the capacity within communities and the support we can offer to help build this.

— DCLG hopes soon to announce the results of work with the 11 Capital and Assets Pathfinders to help them make more effective use of their public estate. There are significant opportunities here—for example, when mapping local assets, one local authority was surprised to discover that 35% of non-domestic buildings in the town centre were public sector owned or controlled.

— The Government will consult on the detail of our reforms to the Community Infrastructure Levy in the summer. Following the consultation we will introduce amendment regulations, which we expect will come into effect in April 2012.

— A number of further Local Enterprise Partnerships are gearing up and will be established over the next year.

— Tunnelling activity for Crossrail is expected to begin in late 2011 with full tunnelling getting under way in 2012.

— The High Speed 2 consultation will close on 29 July, and the Government expects to announce its response by the end of this year.

**Assessing Impact and Looking Ahead**

37. The Government believes that top-down performance management frameworks, such as target setting, not only create inefficient bureaucracy but also distort the outcomes that local professionals pursue on the ground, to the detriment of meeting the needs of local people.

\(^{81}\) Growing the Social Investment Market: A vision and strategy, HM Government, 14 February 2011
38. Instead of relying on bureaucratic accountability to central government, the Government’s approach is therefore to strengthen democratic accountability to local people, where individual service users and citizens have the information they need on how service users and local institutions are performing and can hold them to account through the power of choice and ballot box. This approach is already being adopted in a number of ways across public services:

— by dismantling the top-down performance management regimes that have created bureaucracy and distorted behaviours in the past, such as Comprehensive Area Assessment;
— by making more information available to citizens about the services that they receive and the institutions that are entrusted with delivering them—for example, by requiring local authorities to publish every item of expenditure over £500;
— by creating greater choice for users of services, for example by extending the use of personal budgets across adult social services; and
— by giving communities the right to challenge service provision—for example, the right to challenge to run local authority services being taken forward under the Localism Bill.

39. In line with the Localism agenda, the Government will not be imposing any performance management frameworks on local partners to assess the success of its approach to regeneration. It will be up to local partners to determine the success or otherwise of their plans, and for local people to hold each other to account if their expectations are not met.

40. We should not be so naive to imagine that a localist approach will always mean that local partners will always agree about the solutions to local problems, or that national Government or Ministers will not wish to express a view from time to time. We are keen to encourage mature debate between all partners. In extreme cases, there may still be a role for central Government to intervene more directly through the levers that it retains. However, this would be a last resort—after other forms of support (including sector-led support) have been exhausted. We would expect such cases to become increasingly rare in the future.

41. Ultimately, success of our approach will be measured by the strength and balance of the UK economy. Whilst there will be no formal evaluation or assessment, national statistics relating to employment, civic action, the wellbeing indicators being developed by the Cabinet Office, and the Index of Multiple Deprivation may be helpful to all of us interested in regeneration.

42. To inform future policy development, Government will want to understand how the tools and incentives we have provided are being used locally, and the range of approaches local partners are taking to progress their regeneration schemes. Each individual policy or investment within the toolkit is subject to its own evaluation arrangements. However we will take an interest in the results from these and implications for regeneration and growth. We will also want to identify whether any further tools and incentives would be helpful.

43. We will therefore continue a dialogue with local partners with these questions in mind. The Government will be open to requests for support and ideas from the sector, including through the barrier busting portal. We are monitoring such cases to identify any shared concerns that might warrant new central government action.

Conclusion

44. Local communities have already delivered some excellent examples of what the Government wants to see. We are now in the process of building the toolkit of flexibilities, tools, powers and incentives that will support locally-led regeneration and growth. Local Enterprise Partnerships, the Regional Growth Fund, Community Budgeting, Community Organisers and the barrier busting portal are now part of the landscape. The Localism Bill will bring forward a wider range of tools such as neighbourhood planning, community rights, and business rate discounts; the Local Government Resource Review will propose better incentives in the business rates system and deliver powers for tax increment finance; the Budget added Enterprise Zones, a package of support for Small and Medium Enterprises, and fundamental changes to the planning system to the toolkit; and other elements are to come.

45. In many ways Localism has turned the traditional model of regeneration on its head, and such an institutional and cultural change will take time to fully establish. Yet, less than a year since the launch of the Coalition Government, we are already a long way down the track.

March 2011
I very much enjoyed our discussion on 4 July. You requested further information on the timescales for the implementation of Tax Increment Financing. As you are no doubt aware, the Deputy Prime Minister announced at the recent LGA Conference our intention to develop proposals to allow councils to retain their locally-raised business rates and the introduction of Tax Increment Financing. Both Tax Increment Financing and the retention of business rates will be taken forward through the forthcoming Local Government Finance Bill, timing of which is subject to Parliamentary approval. We will be consulting on proposals shortly and we would want to make progress as quickly as possible following that consultation.

Manchester’s Evergreen fund is exactly the sort of innovative thinking that Government wants to see in regeneration. That is why we have taken action to free up the constraints on local authorities so that places like Manchester can utilise their considerable resources in ways that best address their local circumstances. I understand that Manchester have put in a programme bid to Round two of the Regional Growth Fund. This is a competitive process, and the Manchester proposal will be assessed with other bids over the summer.

On Manchester’s other proposal on budget pooling, we want all councils to have greater control over their finances and our work on Community Budgets paves the way for further localism. The single budget and neighbourhood level pilots we announced at the LGA Conference on 29 June (see press notice at http://www.communities.gov.uk/news/newsroom/1933560) respond to the argument areas such as Manchester have been making for a single budget covering all spending on local public services. We will publish a prospectus in late summer inviting interested areas to come forward. I have attached a note which sets out more detail about the next steps for Community Budgets.

I thank you for an interesting debate, and look forward to seeing the Committee’s recommendations in the Autumn.

Community Budgets: Note for the Select Committee

The Department for Communities and Local Government, with other government departments and the Local Government Group, have been working with the first 16 Community Budget areas for families with multiple problems and are fully committed to the roll out of this agenda. A cross Government Ministerial Group chaired by the Secretary of State, a senior officials group chaired by Lord Michael Bichard, along with Whitehall Champions, for each of the 16 areas, provide forums in which departments actively participate.

The Terms of Reference for the Second Phase of the Local Government Resource Review (attached), which is about Community Budgets, demonstrates that all of Whitehall is on board and taking practical steps to explore a very radical approach to Community Budgets, which will cover all spending on local public services in an area.

The Review will test how Community Budgets can be used to:

- Give communities and local people more power and control over local services and budgets.
- Develop outcomes, service solutions and a single budget comprising all public funding in an area.

There will be two strands of work that will explore these radical options:

- we will be inviting communities in two local authority areas to co-design with local services and Whitehall how a Neighbourhood-led Community Budget and community commissioning approach could be implemented.
- we will work with two areas, comprising local authorities and their partners, to co-design how a single Community Budget, comprising all spending on public services in an area, might be implemented.

Baroness Hanham and Tim Loughton wrote to all local authority Leaders on 7 July setting out the next steps for Community Budgets. A copy of this letter is also attached.

July 2011
Written evidence submitted by London Thames Gateway Partnership

Who we are

The London Thames Gateway Partnership (TGLP) is a cross-river, cross-party organisation, made up of the 10 local authorities and the eight universities in the Thames Gateway London area, Dartford Borough Council and Thurrock Council. Representing the whole of the Thames Gateway London area, we campaign on behalf of our members to ensure the area is able to live up to its enormous potential and remains a key national and regional priority.

Background to the Consultation

The Communities and Local Government Select Committee are holding an inquiry into regeneration following the publication of Regeneration to enable growth: What government is doing to support community-led regeneration. The publication sets out the government’s approach to regeneration which involves a renewed focus on “Localism; to be led by local government and local communities.” It also identifies the new policies introduced by government to support regeneration and economic growth.

TGLP welcomes the government’s continued commitment to the investment in infrastructure and are particularly supportive of the government’s recognition of the Thames Gateway and support for major infrastructure projects such as Crossrail and High Speed 2. However, we believe that for successful regeneration of the LTG to continue there needs to be a funded programme to support the economic, social and environmental regeneration of the Thames Gateway.

History of the Thames Gateway

Historically the area was the main gateway from London to the world, with the docks and heavy industry employing thousands of workers. The area was once the most populous part of the capital. By the 1970s the Docklands and east and south-east London fell into decline due to a mixture of de-industrialisation and migration out of the area to Essex and Kent. The creation of the London Docklands Development Corporation in the 1980s was a catalyst for the regeneration and the re-development of the Isle of Dogs. New transport links such as the DLR and the Jubilee extension acted as a further driver for change.

By the 1990s the focus moved from the Docklands to the wider Thames Gateway, which became an area earmarked for significant housing growth and development due to the availability of brownfield land and the potential to develop the transport system further. Regeneration was further boosted following the successful bid for the Olympic and Paralympics Games in 2012 which provided an impetus for regeneration around Stratford, but the wider Thames Gateway still has huge untapped potential to deal with the serious economic difficulties it experiences.

Summary

Since the election of the coalition government in May 2010, policies to support growth have taken an approach, based around market based incentives, rather than direct support through central government grants. The London Thames Gateway is exceptional as it suffers from severe problems of deprivation and unemployment but unlike other areas in need, it has strong demand for housing, and has high growth potential in areas such as Canary Wharf, Stratford and around the London Gateway as well as opportunities for industry/manufacturing further east.

The regeneration of east and south-east London is a long term project. Sir Terry Farrell states that the gateway is probably around 30 years into a 70 year project. Therefore whilst significant progress has been made, further investment is required if east and south-east London is to become a net contributor to both the London and UK economies. In the context of the Olympic Games and the government’s commitment to securing a successful legacy for the Games, a commitment has been made to convergence. In terms of convergence, it would be a false economy to cut investment in the region now, particularly since the area has a significant supply of brownfield land and has improving transport links to the rest of London and beyond to the rest of the UK.

The government must recognise the need for greater flexibility and account for the different needs of deprived communities. To date the approach has been to say government supports private sector jobs growth in an effort to rebalance the economy away from the public sector. This strategy implies that investment should be focussed in the less economically dynamic regions such as the north of England. This approach, which seeks to mitigate the impacts of public sector job losses, does not address the market failure which exists within an otherwise successful super region (the Greater South East) and is too narrow in its scope. Government can maximise its return on investment, if it prioritises areas such as the Thames Gateway which, despite having significant challenges, also has great potential and has used past investment to promote growth in dynamic and growing sectors. This could have a significant impact in helping to rebalance the economy away from an over reliance on the financial sector towards high value manufacturing and the emerging digital sector.

TGLP’s main concerns are as follows:
1. The Strategic Regeneration Framework has made a commitment that over a 20 year period, conditions for the people who live in the Olympic host boroughs will improve to the point where they can enjoy the same social and economic conditions as Londoners as a whole. TGLP support this principle but believe that the convergence commitment should be extended to the whole of the London Thames Gateway.

— A localism approach must recognise that despite its overall success there are deprived areas in London and the South East. The London Thames Gateway in particular is more similar to areas in the Midlands and North of England, where the government has focussed more support.

— The London Thames Gateway has successfully used past investment to generate sustainable growth but further regeneration is required because despite investment in infrastructure and physical regeneration, mainly in inner east London, there remains structural unemployment and a relatively degraded public realm across much of east and south east London.

— The Localism approach has the potential to be an effective approach; however cuts to the local government settlement have made it harder for local authorities to prioritise regeneration. It is important that the localism approach is applied in a consistent manner across all departments.

— It would be useful for the government to set clear regeneration objectives and ensure that all their major policies complement each other, and are properly coordinated to achieve these aims.

— While TGLP supports the investment in Crossrail, we have concerns that the funding cuts will limit the benefits from the scheme particularly in the London Thames Gateway.

— The cuts to the affordable housing budget and the reliance on the affordable rent model will mean that housing in east and south-east London will not be sufficient to meet the expected demand. In addition, the housing benefit reforms will exacerbate the problem of multiple occupancy.

— There is a continuing need for decent homes funding to ensure existing communities are valued as highly as new communities moving in to areas.

— The government’s focus on growth is not being matched with the necessary investment into skills. Without such investment, growth will not lead to a long term reduction in unemployment in areas of low skills and deprived areas.

— TGLP believes that the success of the government’s approach should be judged against a clear set of objectives including tackling multiple deprivation, raising skills levels and addressing affordability of housing.

TGLP’s Response to the Consultation

1. TGLP believes that there are five main areas of regeneration which are specific to east and south-east London:

— The construction of new transport infrastructure which increases labour market mobility allowing residents to access jobs elsewhere as well as bringing workers and consumers to the area.

— The provision of new housing and decent homes to meet growing demand and ensure that sustainable communities are developed which can support a growing population and make the area attractive to new and existing residents.

— The upskilling of local residents to ensure that the benefits of growing sectors of the economy are distributed more evenly and encourage greater economic participation.

— Supporting business to create and retain jobs and promote inward investment in order to support the long term growth of the area.

— Enhancing the public realm to ensure that the quality of life for residents of the gateway is enhanced in order to create places where people want to live, work and relax.

2. To date regeneration in east and south-east London has focused on developing the former dock areas and industrial land back into productive use. This has resulted in the physical transformation of parts of inner east and south-east London; most notably around Canary Wharf, North Greenwich and Stratford. Strategic planning and investment have ensured that the regeneration of the area has produced a sustainable development and jobs growth. Furthermore, investment in new transport infrastructure such as the DLR and the Jubilee Line extension has helped to integrate parts of the area with the rest of London and has promoted private sector jobs growth. However, despite the successes of Canary Wharf and Greenwich the problems of contaminated land and the lack of transport infrastructure remain acute in the outer east and south-east London boroughs. It is important that the government recognises that whilst there have been successes, vast areas of east and south-east London are still in need of investment to achieve convergence with the rest of London in order, to reach their economic potential and realise the GVA benefits of the sub region.

3. The next stage of development will involve continued regeneration and intensification around growth areas such as Canary Wharf and Stratford, as well as the development of new local centres in outer east London. In addition, to this traditional form of regeneration, more effort must be put into improving skills and employability among the local residents to ensure that regeneration is both beneficial to the local community and is sustainable. Despite the success of Canary Wharf, Tower Hamlets continues to suffer from very high unemployment and deprivation among its residents. Thus the next stage of regeneration must ensure that residents gain from local developments. In order to support sustainable jobs growth, there not only needs to be...
Rebalancing the Economy

4. In Regeneration to enable growth the government argue that “economic growth can help regenerate and breathe economic life into areas.” Government intend to use private sector jobs growth as a mechanism for addressing unemployment and deprivation.

5. In order to support the economy, the government has set out incentives for growth which will help local authorities, communities and businesses regenerate their areas. The growth plans for the government are to support the development of the SMEs, especially in new sectors such as the creative industries and advanced manufacturing.

6. TGLP believes that the government should recognise the potential of the London Thames Gateway to support growth in new sectors. The development of the Sustainable Industries Park at Dagenham Dock, together with the Centre for Engineering and Manufacturing Excellence (CEME) will help provide a focus for hi-tech engineering and eco-manufacturing in the region. In addition the area has been recognised as a hub for digital industries by the Prime Minister under the East London Tech City project. This will take advantage of the development of Silicon Roundabout at Shoreditch and utilise the new media facilities at Stratford. In light of the burgeoning success of new industries, the government should continue to support the development of these hubs.

7. The plans for enterprise zones could also help to regenerate deprived areas by providing incentives for business growth and encouraging new investment. The Mayor of London, under the authority of the Chancellor, is planning to establish an enterprise zone in the Royal Docks area. This support will help to create a business park for convergent technologies by adding to the past investment in the DLR, City Airport, and the ExCeL centre, and capitalising on new investment in Crossrail and the nearby Olympic Park. Moreover, it will support the ambitions of the broader Thames Gateway with investment targeted to the main opportunity areas—Canary Wharf, Stratford and the Royal Docks. These areas lie at the heart of the Golden Triangle identified in a report by Oxford Economics, which states that the Golden Triangle will be able to contribute 130,000 jobs and £21 billion to the London’s Gross Value Added. By focusing such measures in areas which lie on the margins of prosperous economic areas it will ensure that new jobs are not displaced from other areas but are sustainable over the long term.

8. Whilst the recent announcement of an enterprise zone for the Royal Docks is very welcome, TGLP believes that it may also represent a missed opportunity. By not extending the zone to the Greenwich Peninsula, we believe that it would have been consistent with the localism agenda for this issue to be subject to broader consultation as we would have wanted to make the case for the zone to cross the river into south east London to better reflect the functional economic area and stimulate the economy on both sides of the river Thames.

9. Furthermore the government has not been consistent with its support, the National Insurance holiday is applied to all the English regions except London, East England and South East England. TGLP believe that this approach fails to recognise that the London Thames Gateway faces similar challenges to other regions outside of the Greater South East and has characteristics which are more similar to places like Greater Manchester rather than other parts of the south east. We have argued that a better approach would be to apply the holiday to the most deprived local authorities rather than specific regions. The national insurance holiday for new businesses would complement the investment directed towards east and south-east London and provide significant and sustainable private sector jobs growth. We consider it is important that the government examine this and other initiatives to ensure that policies which support growth and regeneration are both effective and consistent with the localism approach.

10. Investment in the Gateway will support the convergence of the area with the rest of London. In addition it will make the area a net contributor to the UK’s GDP over the next 20 years. If the government wishes to continue with its economic incentive based approach to regeneration, it must focus on areas which will not only have severe need but will be able to provide sustainable economic growth over the long term.

Locally Led Regeneration

11. TGLP supports the move to local led regeneration and welcomes the continued recognition of the Thames Gateway as a growth corridor with capacity to provide new jobs and homes for much of London and the South East. A locally led approach could allow local authorities and other bodies to focus on the distinctive challenges and opportunities of the area and provide regeneration that incorporates local needs and aspirations, as well as benefits to the rest of London and the UK.

12. However TGLP is concerned that the government’s policies do not support this objective. The reduction in local government settlement will reduce the capacity for local authorities to support the regeneration of their areas. The most deprived boroughs such as Newham, Hackney and Tower Hamlets have had their settlement reduced by 8.8%—the largest in the country. In seeking to reduce the deficit Government has reduced funding to local authorities. This has been particularly challenging in the London Thames Gateway and boroughs will
be forced to choose between the provision of basic services and supporting local regeneration projects. This reduction in local government funding reduces the capacity to develop the community infrastructure needed to support growth and maximise the benefits of new strategic infrastructure such as Crossrail. This undermines the Principle of Localism by not allowing local areas a meaningful say in the level of services and investment in their areas.

13. While the government have set out key themes such as localism, TGLP believes that there is not a consistent approach across departments to regeneration. As previously stated a clear set of regeneration objectives would help all departments to take account of regeneration impacts when making major policy decisions. As regeneration aims to tackle several problems simultaneously, it is important that all the policies complement each or at least provide enough flexibility in their implementation to ensure that suitable policies are put in place in different areas.

14. The local government resource review could provide new opportunities for local authorities to fund regeneration. Mechanisms such as TIFs could provide a mechanism for long term regeneration. The retention of business rates could help areas such as Tower Hamlets and Newham which have fast growing tax bases. However, some of the outer boroughs will become net losers from the initiative and may have to draw from a pooled fund. This new approach will change the thinking of local authorities; authorities will seek to encourage business growth and will become more aware of the economic cycle and its impact on their revenues. While the long term impact is unclear, it is important that local financed regeneration is supplemented with strategic investment by Government.

15. There are also risks in ensuring that there remains support following the abolition of Regional Development Agencies (RDAs) outside London. The creation of LEPs provides a new opportunity for local growth but they need to address functions covered by the RDAs such as business start-ups support, inward investment and business incentives.

16. While the localism approach is laudable in practice it is not consistently applied. The public sector cuts have affected the level of support for SMEs and third sector organisations which could support the localism agenda, while procurement regulations also make it hard for them to engage. Therefore, while the objective of local based growth is beneficial, it would be useful for the government to identify its regeneration priorities and ensure that there is a consistent approach across all departments.

Transport Investment

17. A central pillar of the government’s growth and regeneration plans is to fund new infrastructure which can stimulate long term growth and enhance land values which can make development viable. TGLP supports the government’s plans to invest in new transport infrastructure such as Crossrail.

18. Crossrail will support the continued growth of Stratford and Canary Wharf, but will also provide an opportunity for the development of town centres in outer east London such as Romford. While the potential of this project is significant, there must be support for complementary measures to ensure that the full benefits of Crossrail are achieved. Many east London local authorities have put the development of Crossrail stations at the heart of their local regeneration projects. However, the cuts to funding for Crossrail and Transport for London, as well as local budgets mean that plans to improve the accessibility of stations and for stations to be catalysts for intensification and urban renewal are under threat. The failure to improve the size of stations along the route and to support complementary measures in the local areas means that for outer London the benefits of the scheme could be much less than anticipated.

19. TGLP also supports the development of High Speed 2 which will connect London to the midlands and beyond. However, we are concerned that the proposed route does not include a station at Stratford. Extending the route to Stratford would recognise the past investment in Stratford International Station and allow for direct routes to and from Europe through the High Speed 1 link at Stratford and access to the eastern branch of Crossrail. If the scheme is intended to support local growth, the government should support extending the route to Stratford as it will stimulate growth development in the east London growth corridor.

20. TGLP is pleased that the government recognises the benefits of new transport investment and are focused on investing in areas that can support long term growth. We consider, however, that to maximise the economic benefits and effectiveness of transport schemes they must be fully funded and that support is needed for complementary measures which allow local communities to maximise the benefits of the new transport links.

Housing Reforms

21. TGLP is concerned about the impact of the government’s housing plans on the regeneration of east and south-east London. The government have introduced new policies which will simultaneously impact housing supply, but also will increase demand. East London was identified under the last government and by the Mayor as an area of housing growth; the area is proposed to accommodate much of London’s population growth until 2031 with up to 600,000 new residents as identified by the Mayor in his London Plan. However much of this land is brownfield and contaminated, making the construction costs much higher than that in the rest of England. Nevertheless demand for housing in east and south-east London continues leading to higher rents which risk making the area unaffordable to new and existing residents.
22. The government have cut the funding for new affordable homes by approximately 50% to £4.5 billion. All of the new capital funding will be invested into the affordable rent model. The scheme seeks to provide new funds for housing by allowing RSLs to borrow against future rents which would be 80% of market rates. This model has the potential to significantly increase the number of intermediate homes. However, the application of the scheme is such that it will attempt to address demand for both intermediate and social housing. The low earnings of residents eligible for social housing in the London Thames Gateway will mean few will have the means to live in new affordable rented homes. In practice the affordable rents homes will not be affordable to tenants in most parts of London. In addition, the high rents are likely to increase pressure for the majority of homes that will be built to be one bedroom flats rather than the much needed family sized homes. As funds will be raised through borrowing against rents, it is clear that in areas of relatively low rents, such as parts of outer east London, the scheme will not lead to a significant increase in the amount of new homes built.

23. As much of the funding is proposed to go to affordable rent homes which for the reasons stated previously, will not be practical in London, there are concerns that there will not be enough supply to meet the expected demand. There is a strong risk that this model will not work in east and south-east London and the lack of money for social rent homes means that the area will be unable to accommodate the growing demand for affordable housing. This high level of unmet predicted demand is likely to lead to an increase in rents in the private sector, increased multiple occupancy, and an increase in local authorities’ waiting lists.

24. The government have introduced the New Homes Bonus to support the construction of new homes. However the size of the bonus is not large enough to encourage local authorities to support new housing as it will not cover the associated costs of new housing. The high costs of construction and the need for physical and social infrastructure mean that the sum offered by the New Homes Bonus will not be sufficient to address the costs to local authorities of new housing. The government have agreed to accept gross figures for the affordable homes supplement to account for the fact that demolitions are needed in regeneration schemes. However, as the affordable homes supplement is relatively small, gross rather than net figures for the number of new homes built are also required to ensure estate renewal projects are not disadvantaged.

25. In addition to the funding cuts the challenge of housing people in east London is made more difficult with the benefit reforms. The cap on housing benefit and the cut in LHA will lead to a migration of social tenants from central and inner London to outer east London. The map below produced by Shelter highlights which neighbourhoods will remain affordable in London following the introduction of some of key changes. The evidence clearly shows that areas such as Barking and Dagenham and Newham will have the most affordable areas in London and can expect a significant increase in demand for social housing. The policies will further increase the problem of multiple occupancy and could lead to the creation of ghettos in parts of east and south-east London as unemployed people move eastwards in search of affordable social housing. Over the long term, we predict that the benefit reforms will undermine the goal of creating sustainable mixed communities in London.
26. TGLP recognises that it may be necessary to find alternative ways to support the construction of new homes. However, a reduction in the construction of new homes can have severe economic impacts and can reduce labour market mobility.

27. TGLP welcomes the funding for Decent Homes, but is concerned that in parts of the Gateway we have the lowest levels of decent homes in the UK. Urgent expenditure is needed in these areas particularly given that they are in many cases next to major areas of potential housing growth. It is essential to maintaining social cohesion in these growth areas the existing properties occupied by local communities are refurbished to the same standards as new homes.

Skills Deficit

28. A focus on growth, therefore, whilst welcome, will not on its own deliver the regeneration of the Gateway and its communities unless there is a sufficient corresponding investment in the skills of local residents. The success of past investment as well as the prospect of new investment will ensure that the area is able to continue to provide new jobs. However, ensuring that investment produces fundamental change in deprived and low skilled communities will require the government to address the skills deficit.

29. Despite impressive growth in key financial and business services, TGLP is aware that local residents are unable to get jobs in these high skilled sectors. While unemployment in the area has fallen over the past decades there remains a serious problem of structural unemployment. Much of east and south-east London has a poor labour market score predominantly due to the lack of skilled workers in the area. The lack of skills in the London Thames Gateway is below both the national average and that of the rest of London.
30. New transport investment has supported growth and has opened the local labour market to the wider London labour market. Residents in east and south-east London have found it harder to compete for jobs in fast growing financial and business services industries without the right skills needed for these jobs. However, with the high costs of living in London, many residents find themselves in a “benefit trap” as they are currently financially better off on benefits than working in low paid sectors. Greater support for the unemployed to get the appropriate skills to re-enter the job market would support the policies of the government to address the potential “benefit trap”.

31. The majority of people with no qualifications or low skills are working in low paid jobs, which are vulnerable to changes in the national economy. Supporting these people to maximise their contribution to the local economy will require a joined up approach to skills programmes targeted at those in work, combined with support for businesses to allow them to facilitate workforce development.

32. TGLP is concerned by the constraints on universities in terms of the cuts to funding and the caps in student numbers which prevent the institutions from growing and investing in new facilities. This is particularly important in the Gateway as both a growth area and an area of deprivation and low skills, and TGLP seek recognition of the importance of continued investment in higher education in this area.

33. Addressing the lack of skills could have a dramatic effect on regeneration in east and south-east London. It would allow the area to utilise its social advantages in terms of its young and enterprising population, and maximise the benefits of new investment. In areas that have a high growth potential such as east and south-east London, increasing the skills base is a key effective way of reducing unemployment and maximising growth.
34. TGLP recognise that the government is undertaking several ambitious projects which could support the regeneration of areas such as the London Thames Gateway. But to ensure their effectiveness there needs to be careful monitoring and assessment of these policies. The government should set clear objectives in terms of regenerating the most deprived areas of the UK and the policies should be judged in terms of their ability to achieve these objectives. In east and south-east London, despite many successes, the area remains one of the most deprived parts of the UK. Therefore, it may be useful to use the Index of Multiple Deprivation to investigate whether packages of policies and different government approaches have actually provided regeneration and reduced deprivation. In addition, measuring the levels of employment, and examining improvements in GVA levels could show how effective regeneration policies have been.

Conclusion

35. TGLP welcomes Government’s continued focus on regeneration and economic growth. It considers however that there is a need for Government to set out clear objectives for regeneration and to ensure that these objectives are considered and applied consistently across Government when setting policy.

36. The proposed locally led approach to regeneration allows communities to address their specific needs but this approach requires flexibility in both policies and funding to be effective. Tackling the fiscal deficit makes the latter difficult, but it is important that the impact of funding reductions in other areas such as local government on the ability of key organisations to support local communities is recognised and addressed particularly in Thames Gateway. New transport investment such as Crossrail will help continue important investment in east and south-east London, but it will not unlock the full potential of the London Thames Gateway without greater investment in this area.

37. There is an opportunity for a renewed emphasis helping people and businesses to secure and participate in the growth of the Thames Gateway. The area uniquely combines a great potential to provide economic and residential growth with tackling widespread deprivation and low skills, but to do this requires specific investment, which recognises these special characteristics.

March 2011

Written evidence submitted by Leeds City Region

The Leeds City Region is the single largest functional economy outside of London, with a £52 billion economy, generating 5% of the nation’s GVA economic growth. The City Region has over 103,000 businesses and a resident workforce of approximately 1.4 million people, and covers the districts of Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield, and York.

The diverse geography and nature of the City Region does though present a multitude of regeneration needs and challenges both in urban and rural areas, and city and town centres. The city region includes both economically prosperous areas alongside areas in need of long term regeneration and renewal, which is reflected in City Region strategies and investment plans.
Collaboration between authorities in liaison with the private sector and other partners at the city region level over the past five years has been critical in ensuring a coordinated approach to effective planning, infrastructure alignment, delivery capacity, and links to employment growth. Regeneration remains a key strategic priority for the city region and the emerging Local Enterprise Partnership, and there are significant concerns about how the city region can maintain momentum in the face of significant reductions in core regeneration and renewal funding. We are at a critical stage, and the City Region is responding by exploring and piloting new collaborative approaches to respond to the changing fiscal and policy environments, including seeking to maximise the benefits presented by potential new opportunities such as the New Homes Bonus, Tax Increment Financing / Enterprise Zones, and Asset Backed Vehicles.

Our response to Committee’s specific questions are set out in the attached Appendix 1, which is submitted as evidence to support the Inquiry. Due to the importance of regeneration to the city region in terms of supporting economic growth and social and environmental enhancement, we would welcome the opportunity to appear at the Inquiry to share our views and experiences directly with the Committee.

March 2011

APPENDIX 1

SUMMARY OF KEY POINTS

— We would advocate an approach to regeneration of “thinking big, but acting locally”. Regeneration and renewal requires a package of locally tailored interventions addressing job creation, liveability and viability issues together in a holistic manner.

— The city region is diverse and incorporates areas of strong economic growth and areas of deprivation and regeneration need. Significant progress has been made in completely restructuring regeneration areas, although some considerable needs remain.

— Locations with significant impacts on wider economic growth such as town and city centres, and areas continuing to undergo major structural change will continue to require substantial public funding to support their regeneration. Elsewhere, smaller scale locally tailored interventions tackling root causes rather than symptoms of deprivation and vulnerability will be appropriate approach, with some support funding.

— The quality of the urban environment still presents a barrier to both investment and an attractive residential offer, and this will inevitably need public sector capital to resolve.

— Long term secured public funding will continue to be required to address market failure to enable the necessary long term planning and support major structural change, but this is increasingly uncertain due to significant reductions in capital and mainstream regeneration related funding. Eg, in the apparent absence of an alternative, sufficient public funding for major town and city centre regeneration will rely on substantial RGF funding.

— Gap funding is not needed for all regeneration activity. In many areas the focus now needs to be building market capacity through targeted interventions and catalyst projects.

— The Government’s new incentive initiatives such as the New Homes Bonus, Regional Growth Fund, and Affordable Rent, present opportunities to support regeneration activity, but needs will far outweigh available resources, and these market-based approaches are unlikely to provide the necessary support in areas of greatest need.

— In the slow growth economy, it is unlikely that significant private sector investment will be attracted to support regeneration. New approaches such as Asset Backed Vehicles, Tax Increment Financing and Enterprise Zones could provide solutions to lever in significant private resources and secure long-term sustainable investment, but will require freedoms and flexibilities from Government; eg in relation to the use of former RDA assets.

— There is little evidence that the government’s approach of reducing perceived obstacles to investment, such as “bureaucracy”, “planning rules” will have a positive impact in the more challenging areas.

— The Government’s emerging delivery approach on skills and employability, inward investment and business support (single national contracts; delivery agencies rather than policy makers determining priorities) is likely to make a coordinated approach to regeneration at the local level more difficult. A strengthening of the “duty to cooperate” powers to apply to all relevant agencies and partners would help alleviate this barrier.

— The City Region is being proactive in liaison with DCLG, DECC and HCA to explore and pilot new innovative ways to maintain momentum in tackling regeneration, utilising both local public and private sector resources, and the opportunities created by the new national incentive and support initiatives.
Q1. How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

1. Tackling regeneration is complex, requires a holistic and multifaceted approach and long term perspective and commitment, particularly if there is a need to completely restructure communities and areas. Although the Leeds City Region is the largest economy in the country outside London and is continuing to experience economic growth and increased prosperity, the city region is diverse and incorporates areas of significant deprivation and regeneration need, particularly in areas still recovering from the previous decline in the coal and manufacturing industries.

2. Although, significant progress has been made over the past 30 years, some of these areas remain characterised as “run-down” due to a combination of, for example, poor quality housing and neighbourhoods; poor accessibility to good quality schools, amenities and services; a prevalence of negative social issues such as drug abuse and disconnected families; and probably, most importantly, a lack of employment opportunities. These circumstances often lead to a downward spiral of disadvantage and vulnerability for local people in these areas, as well as poor quality environments and conditions.

3. No single measure can address all these failings in an effective way; For example, improving housing and the environment can have a substantial impact on quality of life, health and mental well-being and help attract new investment into an area, but would not directly affect the (often poor) underlying economic circumstances of individuals. Regeneration, therefore requires a range of interventions that tackle a number of issues in a holistic and complementary manner. The necessary package of interventions will be different in different areas and circumstances and, therefore, in principle a local/neighbourhood approach offers the most effective opportunity for success.

4. It is recognised that the fiscal environment in the short to medium term is very challenging and the days of major capital interventions in regeneration areas are unlikely to return, at least for some time. The quality of the urban environment still presents a barrier to investment and to creating attractive residential offers, and this will inevitably need public sector capital to resolve. However, although some areas that require major physical change will still require significant levels of capital investment, effective regeneration can in many areas be achieved through smaller scale targeted local/neighbourhood revenue intensive interventions, particularly focussed on improving the underlying causes that affect local people’s life chances; supported by a modest level of capital investment for housing and environmental improvements.

**Case Study: Holbeck, Leeds**

Holbeck in Leeds is a mixed community of postwar social housing and pre 1919 back to back terraces close to the city centre and the Holbeck Urban Village regeneration area. Whilst the social housing stock is in line for a major PFI renewal scheme, the terraced neighbourhood has been the subject of a recent partial clearance programme and suffers from a poor quality environment and high levels of deprivation. If this neighbourhood could be improved alongside the social housing stock then a critical mass of sustainable urban regeneration could be achieved linking together the residential neighbourhoods of Holbeck through the urban village to the city centre.

There is little likelihood of significant capital funding in the foreseeable future to regenerate the terraced neighbourhood, so an alternative strategy is being developed to build a partnership with the community to deliver a programme of neighbourhood improvement.

This will involve a phased set of actions and community development work to gain community confidence, deliver sustainable environmental improvements and improved community safety and move on to create community assets, including new green space and social facilities. A key part of this work will be the deployment of experienced family intervention workers as the core of a community regeneration team delivering support to problem families to reduce anti-social behaviour and worklessness. The desired outcomes are:

- a sustainable and stable neighbourhood;  
- owner-occupier and landlord investment in property improvement and maintenance;  
- small scale inward investment in local retail and service activity; and  
- an increase in property values.

When the community has developed its ideas and priorities for neighbourhood improvement a modest grant to pump-prime a neighbourhood renewal fund built on community fundraising and attracting support in cash and in kind from business, would be a major boost for local confidence and an important step towards a self-sustaining process of community regeneration. Small scale neighbourhood level regeneration of this kind is the way forward at this time in this and other similar areas. Whilst government funding for regeneration is being significantly reduced, a small proportion of the funding the Government intends to invest in regional development could be used very productively supporting grass roots community-led regeneration of this kind.

5. A major challenge is to ensure that the modest available resources are targeted and phased in the most effective manner. The Government’s approach to de-ringfencing funding regimes will be helpful in enabling local authorities and partners to be more responsive to addressing local needs. Though in practice, the significant budgetary pressures currently being experienced will impact on where resources are targeted, which
may not be where they were originally intended. Similarly, although some of the Government’s new incentive initiatives such as the New Homes Bonus and Regional Growth Fund present additional funding opportunities, there are significant concerns that needs will far outweigh available resources; that expectations have been raised nationally that they will be the solution for almost anything and everything; and in practice due to the scale of available resources they are likely to only have a limited impact overall, particularly in the North where regeneration needs are most prevalent.

6. The coordination of activity and pooling of resources locally from local authorities, the Police, education and skills providers, and Government agencies is essential to maximise regeneration outcomes. In this respect, the Government’s approach to decentralisation is welcomed to a degree. However, in practice, it is often difficult to secure the full commitment of some of these bodies to long-term strategies and priorities due to their narrowly focussed responsibilities. Furthermore, the Government’s emerging delivery approach on skills and employability, inward investment and business support (single national contracts; delivery agencies rather than policy makers determining priorities for investment; no local leverage) is likely to make a coordinated approach to regeneration at the local level more difficult. A strengthening of the ‘duty to cooperate’ powers to apply to all relevant agencies and partners would help alleviate this barrier.

7. Regeneration and renewal remains a key priority for the Leeds City Region Partnership/emerging Local Enterprise Partnership—for example, in terms of the private sector housing stock, there are estimated\(^{42}\) to be around 280,000 non-decent private sector homes in West Yorkshire alone, 78,000 of which were inhabited by vulnerable households. Within this stock there are around 45,000 back-to-back properties, of which up to 50% fail the decent homes standards. The areas in which this stock is located have a strong correlation with concentrations of poor health, and many are within the top 10% of the most deprived areas of the country.

8. Addressing these and wider regeneration needs will be increasingly challenging due to the massive capital reductions in regeneration related funding in the city region due to the ending of RDA funding (circa £300 million pa), Housing Market Renewal Pathfinder funding (circa £4 million pa), private sector housing renewal funding (circa £25 million pa), as well as reductions in HCA funding and mainstream funding to local authorities; mainstream funding has always played a significant role in supporting regeneration activity. Similarly, it is uncertain as to the Government’s view on the continued use of the Private Finance Initiative, which has been successful in attracting significant private investment for regeneration schemes, but which if continued, is likely to be smaller scale and in a different form due to changes in financial regulations.

9. Together with the wider public sector job cuts, which are likely to have a significant and disproportionate impact on Northern areas, there is likely to be an even greater need for regeneration activity over the coming years, particularly in relation to job creation and labour market accessibility, and “place making”.

10. The City Region is keen to develop and pilot new innovative ways to maintain momentum in tackling regeneration, utilising both local public and private sector resources, and the opportunities created by the new national incentive and support initiatives. We are currently working alongside DCLG, DECC and the HCA to explore new innovative ways for continuing private sector housing and neighbourhood renewal and delivering the Government’s Green Deal, including investigating the potential of new opportunities presented by, for example, Affordable Rents, New Homes Bonus and the Community Infrastructure Levy.

11. However, these new funding initiatives by their nature, work against areas in greatest need. Furthermore, there is little evidence that the government’s approach of reducing perceived obstacles to investment, such as “bureaucracy”, “planning rules” will have a positive impact in the more challenging areas. Indeed it is important that authorities have the powers and resources to set high aspirations for the quality of development in these areas.

12. The City Region has been in the vanguard of developing proposals around Accelerated Development Zones/Enterprise Zones and Tax Increment Financing, which we are keen to pilot in the city region. We have also made significant progress in developing proposals around a city region LEP based Asset Backed Vehicle (ABV), which could incorporate public sector assets such as local authority and former RDA land, to leverage European and private sector investment and form a long-term sustainable self-financing development and regeneration delivery vehicle. We therefore welcome the Government’s proposals in relation to TIF, retention locally of business rates, and the potential use of RDA and HCA assets, which would allow the city region LEP and partners to pool significant resources to maximise regeneration and local economic impacts.

13. Importantly, regeneration does not need gap funding for everything and the focus going forward needs to be on building market capacity through targeted interventions and catalyst projects. Developing mechanisms to secure sustainable long-term funding needs to be a priority, recycling funding such as through an ABV and utilising, for example, business rates where the commercial case is strong. Gap funding should therefore be much more targeted to provide upfront support to unlock the greater potential of regeneration areas. The difficulty though will remain the need to meet the twin aims of supporting regeneration in both growth and less prosperous areas. A fair and equitable society and the need to maximise overall economic growth demands actions to tackle both.

\(^{42}\) Building Research Establishment 2006
Q2. In particular:
(a) Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on?
(b) Will it ensure that sufficient public funds are made available for future town and city regeneration projects as well as for more localised project?

14. Regeneration areas tend to be by their nature located in areas where market failure exists and public sector investment and intervention is required to bridge the gap where the market will not provide. In some of the larger areas such as the Green Corridor in the city region, situated in former coalfield areas where major structural change has been necessary, significant time and resources have been invested over the past 10–20 years to completely restructure these areas. Significant progress has been made, but the considerable reduction in public sector capital now available for renewal and regeneration is seriously jeopardising the completion of these long term projects, and the progress made is in grave danger of being lost due to a lack of a guaranteed funding source.

15. It is recognised that the Regional Growth Fund (RGF), New Homes Bonus and Community Infrastructure Levy, for example, could offer opportunities, but due to competing budgetary pressures/national competition, it is unlikely that the necessary levels of capital will be available for completing these transitional schemes and enabling them to once again fully contribute to economic growth and prosperity. The RGF is, in principle, a potential major funding source that could make a significant contribution, but the criteria for funding focused, for example, on direct private sector job creation, makes it challenging to build a strong business case for the funding for regeneration and renewal projects and programmes. In the slow growth economy that we will likely experience in the short-medium term, it is highly unlikely that significant private sector investment will be attracted to fill the gap in these major regeneration areas.

16. In regeneration areas that have completed major structural change and areas where the needs are less extensive or severe, including rural pockets of deprivation and those within more prosperous wider market areas, the Government’s new initiatives may support much of the smaller scale local interventions that may be sufficient to tackle the regeneration needs. However, even in these areas, it will be important that a modest level of direct funding from Government for regeneration is available to plug any small scale funding gaps that may arise.

17. The lifeblood and economic and social drivers of towns and cities are their centres. Where major town and city centre regeneration need is identified, it is critical, particularly where market viability is marginal, that such regeneration is undertaken as a matter of urgency. In the Leeds City Region, the centres of Bradford and Barnsley fall into this category, and their potential to act as catalysts to accelerate city region economic growth and prosperity is recognised. However, although plans are well advanced in these areas, and up until the recent recession, packages of public and private resources were in place or being negotiated, the significant reduction in capital funding, including RDA funding, has left these critical economic projects in a state of hiatus.

18. Private sector investment has similarly been reviewed in the light of the economic climate, increasing the potential burden on public investment and intervention. Currently, the only direct source of significant funding for major town and city regeneration projects appears to be the RGF, although Round 1 bids were more than 10 times over subscribed. Also, as mentioned previously, it remains to be seen whether larger scale regeneration schemes will provide the employment and leverage outputs that are sought by Government from this fund.

**Case Study: Bradford City Centre Central Business District (BCBD)**

The BCBD was submitted through the Leeds City Region for Regional Growth Fund Round 1 funding. It is essentially looking to rebalance the city’s economy and build on a great entrepreneurial culture and great businesses in growing sectors. Bradford needs more great businesses and it needs its existing business to grow and thrive in the UK and beyond. In particular it needs to address the uncompetitive and unattractive City Centre that is a result of 20th Century industrial decline and lack of investment. A new Central Business District and revitalised retail offer through the Westfield Shopping Centre development are essential elements in building Bradford’s economy. These two projects build on investment of more than £3 million in key streets that connect the City along with a £24 million investment in Bradford’s City Park to act as an enabler to private investment in the CBD and other key developments. Through a critical mass and high quality delivery right in the heart of the City, the projects will create transformational change for businesses, investors and Bradford citizens.

Bradford City Centre is well placed to unlock the development of a number of strategic sites once initial funding can be secured to provide a development platform in facilitating the BCBD. We anticipate that later sites would not require any public sector intervention as the critical mass in the centre would be established through targeted interventions in BCBD and Westfield. The provision of 500,000 sq ft of retail space by Westfield and the availability of the BCBD will facilitate circa 5,000 new jobs and substantially increase city centre footfall leading to wider regeneration and investment in the city centre. The impact of prioritising two catalyst projects will then have the ability to change the whole perception of the Bradford city centre and its wider the district.

The delivery of these projects will be overseen by the City Centre Delivery Group, Chaired by the Chief Executive of Morrison’s and comprising CEO level membership of three leading PLC’s, along with the
CEO and Leaders of the three main parties in the Council. There is wide private sector support for the approach which builds on approximately £300m worth of investment already made in the city centre. This has included investment from both London based developers like Welbeck Land and also investment based in the Middle East. But clearly focus on the targeted projects and their combined effect will radically improve investor confidence, improve development viability and raise land and property values in the city centre in particular.

19. The TIF and local business rate retention initiatives may provide potential funding sources in the medium term, although these rely on a successful and growing economy and business base. These models will therefore not generate sufficient funds to be reinvested in regeneration where there are weak markets areas. The current city region proposals for an Asset Backed Vehicle may provide a potential secure funding source through recycling investment, but this is some years off at the moment, and town and city centre regeneration is required now to contribute to the much needed acceleration in economic growth and prosperity.

20. In the current absence of any alternatives of any scale, unless significant RGF funding is made available for key major town and city centre regeneration schemes in areas where market viability is marginal, sufficient public funds will not be available for major town and city regeneration projects.

Q3. What lessons should be learnt from past and existing regeneration projects to apply to the Government's new approach?

21. We would advocate an approach to regeneration of “thinking big, but acting locally”. High ambitions and commitment are required to truly achieve a transformation, but this requires dedicated and locally tailored solutions.

22. As discussed previously there is a continuing need for major regeneration efforts and resources in priority locations such as town and city centres and areas of major structural change. Regeneration in areas elsewhere in the city region could be achieved through smaller scale locally tailored interventions that tackle root causes rather than symptoms of deprivation and vulnerability. There have been examples in the past where this has not occurred due to a focus on short term physical improvement rather than long term social improvement. This has provided short term remediation but has meant that some of these same areas have returned to a state of need some years later. This has often been perpetuated from national Government through physical regeneration based initiatives such as City Challenge and to a lesser extent the Single Regeneration Budget.

23. The principles of the HMR Pathfinders and New Deal for Communities which sought to provide a secure funding stream over 10 years and beyond were more realistic in recognising that effective regeneration is not a short term activity. Similarly, the principles of the PFI scheme to attract significant additional private sector investment should continue to be a key ambition for the public sector, although future or replacement schemes should not require millions of pounds to be spent upfront on procurement.

24. Going forward, a key factor for any regeneration scheme is to have a guaranteed long-term funding source that enables the necessary long term planning to be put in place, irrespective of the scale of the resources needed. There are opportunities through the Government’s proposed funding and incentive initiatives. However, due to uncertainties over budgets and priorities and some being both subject to a competitive process and likely to be significantly oversubscribed, this certainty is not being provided at the current time. This uncertainty is already also hampering efforts to secure complementary funding, including from the private sector.

25. It is critical that regeneration strategies and initiatives are not left uncompleted. This can lead to blight and further disadvantage for local communities, such as in terms of land laying underused and homes boarded up.

CASE STUDY: GREEN CORRIDOR HOUSING MARKET RENEWAL

The Green Corridor alliance was established by Barnsley, Doncaster and Wakefield councils in 2003 to promote the regeneration of former coalfield areas in the three districts. Its primary focus has been housing renewal—six neighbourhoods experienced complete housing market collapse during the late 1990s, with up to 60% of properties falling vacant in some areas, concentrations of poor quality renting, and associated problems of crime arson and anti-social behaviour. Many other neighbourhoods were also showing signs of vulnerability at that time.

The priority was to deal with the crisis areas through clearance, enabling the remaining residents to relocate into areas of their choice. Over the last decade all but one of the areas has been purchased by agreement and cleared. Without external capital funding through government Private Sector Renewal funding and the Housing Market Renewal programme this could not have been achieved.

New mixed-market housing has already transformed Grimethorpe, bringing in higher income residents to stimulate the local economy. The remaining areas will be redeveloped as the market recovers. However, the cessation of the Housing Market Renewal Programme leaves uncertainty about how to fund critical work to bring sites forward and stimulate market engagement. This has put forward as a Round 1 bid for the Regional Growth Fund.

In other vulnerable areas, the focus of the programme has been holistic neighbourhood renewal to target worklessness interventions, tackle substance misuse, address crime and anti-social behaviour, and improve housing conditions. This has required significant and sustained officer resources.
Although the areas in crisis have been successfully addressed, the wider economic and environmental deficits require continued intervention; for example, achieving a competitive workforce, improving town centre environments, attracting new businesses, supporting marginal home owners, improving private rented housing.

26. It is important going forward to embed a true culture of sustainability within regeneration strategies and interventions. A adopting more holistic package approaches to tackling regeneration such as has been tried and tested in other parts of Western Europe, including addressing design, job creation, liveability and viability issues together, if outcomes are to be maximised.

27. In many areas, the focus needs to be on addressing social regeneration needs—providing specialist intervention to truly working with local residents, local businesses, and community groups. This will help identify underlying problems and the necessary targeted interventions, particularly in relation to families (eg tackling anti-social behaviour, homelessness, drug and alcohol addiction) and job creation (eg long-term unemployment, access to jobs, local business support), which tend to be the root causes of deprivation and neighbourhood problems. The Family Intervention Services and other socially targeted initiatives such as the Leeds Local Inclusion Lab proposal to address the needs of adults with multiple disadvantage, provide such services in the more deprived areas of the city region critical to tackling these fundamental causes of regeneration need. These initiatives though are labour intensive and require revenue support.

28. An important initial objective should be to secure a degree of stability in regeneration areas. This often requires improving law and order first within communities to help improve the confidence of residents in their area and be the pre-requisite for attracting further investment. Working closely with families and local businesses, and undertaking capital improvements to housing and neighbourhoods will complement these activities, helping to improve quality of life and further assist in generating investor interest. As a principle, it is essential to generate stable social environments as a pre-requisite to ensuring that capital investment will maximise its impact and help create long-term sustainable quality neighbourhoods.

29. As we are exploring on a number of levels in the Leeds City Region, there is a need to explore innovative new solutions to integrating public service delivery (including eg health and police resources), accessing a range of funding opportunities, pooling these resources (eg as in the Community Budgets pilots), and rigorously prioritising and phasing interventions that maximise both the delivery of required outputs and the value for money of public resources.

Q4. What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

30. As we are already undertaking in the Leeds City Region, the public sector will need to rethink its approach to regeneration, not necessarily lowering long-term ambitions, but recognising the realities of the market and public support, and seeking new innovative solutions to long-term problems. Expensive and intensive property and land assembly schemes are unlikely to occur on any scale, but as discussed above, the economic importance of towns and city centres and areas still undergoing major structural change, need to be recognised as priorities for major public investment.

31. New models such as the A/BV approach, Enterprise Zones, TIF and retention of business rates appear to present viable opportunities to secure long-term sustainable investment. Importantly, though it is unlikely that a one-size-fits-all approach will be appropriate throughout the country, and Government should therefore welcome local areas and Local Enterprise Partnerships such as in the Leeds City Region, bringing forward locally based solutions to regeneration and renewal challenges. Government should be supportive of proposals for devolution or freedoms and flexibilities that are identified to enable such approaches to work effectively—one example of this in the city region is for Government to allow former RDA assets to be incorporated within the proposed A/BV to help lever in significant additional European and private sector investment, which would likely reap much greater long-term sustainable financial and regeneration benefits than would simply selling them off.

32. It is difficult to attract private sector investors into regeneration areas as these areas tend to result from systematic market failure of some description. Policies incentivising the development of brownfield sites, and/or underwriting the risk could help to persuade businesses to invest in such regeneration areas. In stronger economic areas though, with the right strategy in the right locations, targeted interventions could be the catalyst for improving commercial viability that would be sufficient to lever in additional private sector investment for regeneration and renewal.

Q5. How should the success of the Government’s approach be assessed in future?

33. As noted regeneration is complex and takes time to achieve sustainable results, so assessing and measuring success is difficult. Measures such as levels of employment, unemployment, homelessness, fuel poverty, drug and alcohol abuse land brought back into use, and private sector leverage could provide useful indications of the direction of travel in the short to medium term. The appropriate measures may be different in different areas depending on the nature of regeneration needs.
34. Over a longer period, the long term impacts of regeneration activity will need to encompass the effects on levels of multiple deprivation, economic growth and prosperity, and whether areas have truly experienced structural change. Qualitative measures will be just as important and quantitative measures in assessing the long term impacts.

Written evidence submitted by Nottingham City Council

1. Summary

1.1

— There is a need to distinguish between economic development and regeneration and define how they relate to one another.
— Proposed financial tools will not provide the necessary gap funding required in areas which experience market failure or abnormal development costs. Most are also untested.
— Changes to the planning system should ensure it continues to provide a supportive environment to promote regeneration.
— Changes in the funding framework will not necessarily enable community led regeneration in the future and therefore reduce the VFM derived from this neighbourhood involvement.
— The dismantling of the sub-national economic development environment may leave a knowledge and experience gap.
— The removal of Working Neighbourhoods Funding will significant impact on the ability to tackle unemployment in deprived areas as high growth jobs will not necessarily directly benefit the long-term unemployed.
— LEPs should not automatically assumed to be the best vehicle for driving regeneration.

2. How effective is the Government's approach to regeneration likely to be? What benefits is the new approach likely to bring?

2.1 The Government's approach is based upon the belief that regeneration can either be solved by community led approaches or by market forces. Lessons learned over the past 20–30 years suggest otherwise.
2.2 Community led regeneration tends to be reliant on those communities having the necessary capacity and leadership, which is lacking in many cases hence the introduction of Neighbourhood Renewal Funding (NRF) which could be used to improve neighbourhood capacity and give them the resources to drive community led programmes.
2.3 The Government's approach to regeneration appears confused with their approach to economic development. Economic growth will not necessarily create the conditions for regeneration in areas with existing market failure. These are often deprived communities which are the most in need of regeneration be it either social, economic or physical. However, Government policy is focussed towards growth which is likely to continue to benefit already economically strong areas of the country and miss out areas of continued and long standing deprivation and unemployment. This is because economic growth is not the same as job growth. Economic growth tends to derive from the creation and expansion of businesses within higher value sectors. This tends to create high value jobs but not in significant numbers and not of the type which could potentially benefit those living in deprived areas.

2.4 In the past, both the public and private sector have been able to access regeneration funds to help kick start schemes through the provision of gap funding. This is because some schemes due to their location in an area of market failure, or associated abnormal infrastructure costs will never come forward without this gap funding. The financial tools which are now available to assist in funding regeneration schemes cannot fill this gap. The increase in the interest rates from the PWLB has effectively meant that local authorities can no longer gain an advantage from borrowing using this method and in some cases it will be cheaper to source market funds. The issue thus being that the application of market rates may make many more schemes unviable thus stalling regeneration in less buoyant markets and there will be a knock on effect on local economies.
2.5 The format and structure of the planning system i.e. Local Development Framework (LDF), Core Strategy, site specific Development Plan Documents (DDPDs), and Area Action plans, allow planning for regeneration to be targeted at the most appropriate spatial scale. Any changes to the planning system should ensure that it continues to provide a framework which can positively support and promote regeneration. In regards to Neighbourhood Plans, based on our understanding and experience of typical patterns of engagement and capacity in our communities, this suggests that it is much more likely we will see these in suburban and village locations rather than in areas where regeneration is a priority. There is also concern about how communities can be funded to produce Neighbourhood Plans particularly as the Planning Aid budget has been withdrawn.
2.6 The proposed "Duty to Cooperate" might be useful in the continued promotion and joint or partnership approaches to the delivery of key regeneration projects or sites. This may especially be the case where
regeneration areas or sites are located close to, or across local authority boundaries, therefore continuing to take a joined up and coherent approach between authorities will be vital.

3. In particular: Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on? Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

3.1 Over the last 15 years, designated regeneration funding (such as Single Regeneration Budget (SRB), Neighbourhood Renewal Funding (NRF) and Urban and City Challenge has enabled programmes to take place which have been community driven and needs focussed. The funding has also provided infrastructure support for Local Area Partnerships, Voluntary and Community Sector infrastructure projects, and a small grants fund; providing a backbone for the voluntary and community sector in the city. Nottingham CVS has estimated that funding for voluntary groups in the city will fall by 38 per cent from April, from £47.5 million to just £29.5 million. NCVS has also estimated that 19 voluntary services will close at the end of March 2011, with a further 30 at risk of closure or being reduced.

3.2 Because of the dismantling of the funding framework and the subsequent loss of confidence from the investment market current ongoing regeneration schemes may not now derive the level of Value for Money (VFM) and invest to save community benefits that were originally sought. New initiatives such as New Homes Bonus are not ring fenced which is a risk and the criteria for its use requires clarity if regeneration in core cities such as Nottingham is to be stimulated.

3.3 The flexibilities of initiatives such as the Working Neighbourhoods Fund have also meant that the most deprived neighbourhoods and groups were targeted and that special initiatives could be developed such Early Intervention in Nottingham. The end of this fund means that projects will be decommissioned and skill sets lost.

3.4 There is also a danger that the dismantling of existing sub-national economic development and regeneration structures has been too fast, and that much of the experience and knowledge built up over the past ten years within Regional Development Agencies (RDAs) will be lost. Public funding will still be required in the future to drive forward regeneration in areas which are experiencing market failure, and with innovative mechanisms such as Tax Increment Financing (TIFs) still untested, using private sector funding is not a realistic alternative in many cases. The Regional Growth Fund (RGF) is also unlikely to provide the necessary public funding due to its focus on economic and jobs growth rather than regeneration. Combined with public sector spending cuts, this leaves a significant and potentially dangerous gap in funding to drive forward regeneration in major towns and cities.

4. What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

4.1 Increasing employment and skills levels in communities is essential for future growth and regeneration. The removal of WNF and programmes such as the Future Jobs Fund (FJJ), which have proven to have a direct impact on the unemployment rate at a local level will greatly reduce the potential for reducing unemployment.

4.2 The creation of jobs within the private sector will need to counter the job losses experienced within the public sector, but also to meet the growth demands of the labour market. Focus on high growth business will provide some of this but as noted in 2.3 this will not generate significant numbers of new jobs. Instead the start up and survival of new business needs more focus and support.

4.3 To have a total place approach to funding that takes account of drivers for change such as deprivation. A robust evidence base is therefore crucial to the decision making process.

4.4 Local authorities should be given the statutory duty to lead on complex schemes as part of generating confidence in the private sector. This is because although the private sector has much to offer, especially in regards to economic growth and job creation, they are possibly not the best placed to lead regeneration. As such Local Enterprise Partnerships (LEPs) should not be automatically considered as the best vehicle for regeneration. Instead, with many RDA assets potentially being transferred to quasi-public or public sector bodies rather than LEPs (as many are not in a position to take on the risk), it will inevitably fall to local authorities to maintain the regeneration momentum. To aid this local authorities should be compiling an evidence and options appraisal so that there is understanding and sharing of risk and reward between private and public partners.

5. What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

5.1 There are concerns that the range and quality of the financial tools introduced to invest in capital will not have the outcomes that the Government seeks primarily because of the stringent and prescriptive criteria for their use. Key examples:

— Tightening of prudential borrowing.
— New Homes bonus not being ring fenced.
— Working neighbourhoods fund withdrawn.
Communities and Local Government Committee: Evidence

5.2 Large corporate businesses should be encouraged to pursue corporate social responsibility by expanding their presence to deprived areas in order to deliver jobs and confidence. This could be achieved by offering time-limited tax breaks to corporations, to encourage their presence, and offering tailored training to ensure that the potential workforce in deprived areas is ready to take up employment opportunities created by inward investment.

6. How should the success of the Government’s approach be assessed in future?

6.1 The Government primary objectives are to—reduce the deficit, empower people, stimulate housing supply, health outcomes and carbon reduction. There is no investment in regeneration. Were the Government to establish a regeneration policy and an investment framework then measures for success could include:

— Increased housing supply in all tenures.
— Increase in employment and skills in a locality.
— Decrease in deprivation at SOA level.
— Increased business rates in deprived areas.

6.2 Again however, there is a need to distinguish between regeneration and economic development. Economic development creates an increase in employment and skills, which has a knock on effect in decreasing deprivation. Regeneration is a catch all term which often encompasses economic development but is more often associated with physical regeneration of a locality. As such the Government should draw a clear distinction between the two and understand the contribution each makes before deciding on measures of success. LEPs are the vehicles for driving economic growth but the Government should be clear on what is considers to be the vehicles for regeneration.

March 2011

Written evidence submitted by Core Cities Group

1. Core Cities Group

1.1 England’s Core Cities (Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield) are the main drivers of the country’s economy outside London and the South East. Their primary urban areas deliver 27% of the national economy, more than London, and contain 16 million residents. The UK’s top performing cities grew by an average of 4.2% compared to a UK average of 3.4% in GVA over the decade to 2008. England’s cities and their hinterlands also contain 75% of the country’s private sector jobs.

1.2 However, cities are also home to much of England’s deprivation and regeneration need, with an average, 62% of each region’s Job Seekers Allowance claimants residing in a Core Cities’ primary urban area. People are drawn to these cities in the hope of accessing employment, housing or public services. Concentrations of deprivation remain high, even in areas of relative affluence, as people who are able to improve their life chances often move away, further concentrating deprivation.

1.3 We would generally take a broad definition of regeneration in the urban context, including the process of urban renewal and recognising the importance of the person-centred, social components as well as the physical, economic and cultural factors, within an integrated long-term approach. Regeneration can act as a catalyst to economic growth, but Core Cities experience also clearly demonstrates that economic growth at the same time can make a significant contribution to community regeneration—for example through opportunities for skills development and employment. This role is even more critical at a time of reduction in public finance.

1.4 The role of cities and other urban areas is central to delivering national regenerative outcomes, reducing dependency (and therefore public spending), and in driving growth and increasing productivity. The Core Cities have repeatedly demonstrated their commitment to these objectives and are able to drive faster, increased growth in private sector jobs if given the tools to do so.

1.5 The achievements of England’s core cities are even more noteworthy given the centralised system of governance and public expenditure that has characterised the UK. Other European and international cities have far greater powers, local autonomy and ability to raise revenue locally than UK cities. The impetus to devolve powers, localise spending and revenue raising and extend the capability to drive economic growth over wider economic footprints must continue and will only enhance the ability of cities and their economic areas to drive faster economic growth.

2. Core Cities: International Reputations for Regeneration

2.1 All England’s Core Cities have become bywords for successful regeneration and are internationally renowned, particularly for their success in post-industrial transformation. They have improved productivity
beyond expectations, undertaken economic and physical restructuring and transformed themselves into some of the most attractive business and lifestyle locations in Europe and beyond.

2.2 Although the language and the narrative around regeneration may change—and in some respects this can be seen as a good thing and an opportunity—the work and the outcomes it seeks must continue. Economic, social and environmental renewal is a constant process within large cities and does not necessarily have an end point. It is a process rather than a finite set of actions.

2.3 The danger facing urban regeneration now is that it is incomplete. There is a real risk of: a sliding back toward urban decay and blighted communities in some areas; the loss of capacity within the system impacting on future practice; a significant wasted investment; and large economic recovery costs in the future.

3 Core Cities’ Role in Driving Growth and Reducing Dependency

3.1 As the above figures demonstrate, cities matter to regeneration, and are the places that can create the biggest wins but also potentially sustain the biggest losses. The regeneration of the last decades has begun to show remarkable results in many places, but it has further to go. The scale and pace of the shift in the national and local regeneration finances and architecture poses severe threats and risks for much of this work. Our own submissions to government on the financial settlement 2011 have demonstrated a geographic correlation between deprivation and the largest funding reductions. The Index of Multiple Deprivation 2010 also shows that several Core Cities have either stayed the same or worsened in their rankings on deprivation from the 2007 position. We attach an excel sheet to this submission which demonstrates this; “Cuts in spending power vs Indices of Deprivation”. Table 1 below provides an overview of the financial impact of the settlement on Core Cities, from our January submission.

3.2 Population growth also creates an unbalanced impact for the Core Cities. Although the Office of National Statistics estimates for growth are largely accurate when applied nationally, for Core Cities this is not the case, with the difference between DCLG estimates and actual figures in cities as high as 8.5% in some cases. This means that, as populations increase and public spending declines, the difference in spending power per head of population is decreased quite dramatically in Core Cities, by an average of −12.6% in the coming financial year.

<table>
<thead>
<tr>
<th></th>
<th>Savings required to balance 11/12 budget</th>
<th>Further savings required to balance 12/13 budget</th>
<th>Estimated redundancy numbers</th>
<th>Estimated redundancy costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birmingham</td>
<td>£139m</td>
<td>£53m</td>
<td>3,000 (FTE)</td>
<td>£90m (including pension strain over the two years)</td>
</tr>
<tr>
<td>Bristol</td>
<td>£28m</td>
<td>£21m</td>
<td>340</td>
<td>£8m</td>
</tr>
<tr>
<td>Leeds</td>
<td>£90m</td>
<td>£37m</td>
<td>1,000 leavers, no compulsory redundancies</td>
<td>£18m–£20m, cost of severance and capitalised pensions</td>
</tr>
<tr>
<td>Liverpool</td>
<td>£91m</td>
<td>£50m</td>
<td>2,000</td>
<td>£70m</td>
</tr>
<tr>
<td>Manchester</td>
<td>£110m</td>
<td>£40m</td>
<td>2,000</td>
<td>£60m–£70m</td>
</tr>
<tr>
<td>Newcastle</td>
<td>£50m</td>
<td>£20m</td>
<td>1,000 posts, 800 redundancies</td>
<td>£28m–32m</td>
</tr>
<tr>
<td>Nottingham</td>
<td>£40m</td>
<td>TBD</td>
<td>775 (headcount)</td>
<td>£8m–15m</td>
</tr>
<tr>
<td>Sheffield</td>
<td>£90m</td>
<td>£40m</td>
<td>700 posts, 400–500 redundancies</td>
<td>£12m</td>
</tr>
<tr>
<td>Totals</td>
<td>£638m</td>
<td>&gt;£261m</td>
<td>&gt;10,815 posts</td>
<td>Up to £317m</td>
</tr>
</tbody>
</table>

3.3 The above evidence clearly indicates that transformation is not complete in our major cities, and there is a real risk of a slide back into urban decay in some places without proper provision to continue this vital work. This approach, if not balanced with additional freedoms to generate revenues for regeneration, risks losing the gains we have made against the international competition, which is a very real risk to the national economy, both within and beyond the EU, and therefore to the delivery of the Government’s Plan for Growth.

3.4 Core Cities are able to work together, with their Local Enterprise Partnerships, to drive sustainable economic growth by connecting economic opportunity to areas of deprivation. They can do this at an unprecedented collective scale across urban areas which are home to almost one third of the country’s population, and Government might take this opportunity to work more closely and directly with them to deliver improved outcomes. National policy and allied funding streams have often sired deprivation and opportunity, which is not efficient.

3.5 Working in the above collaborative way through the Core Cities Group, across our LEPs, wider local authority and sectoral boundaries, there is the potential for Government to create an enormous reach through
our partnership, into communities that number 16 million people across the Core Cities urban areas. This affords an opportunity to implement policy in a very efficient and focused way.

3.6 Deprivation is still very high and skills levels are low in many areas. This hampers productivity for the city as a whole, and reduces life and employment chances for those furthest from the labour market. It also creates a cost to the public purse. In our view this is very likely to increase significantly if regeneration is significantly slowed or indeed brought to a halt, due to the economic recovery costs that will need to be made in the future. One example of wider impact of cuts are the changes in eligibility criteria for ESOL courses—now restricted to particular benefit claimants (JSA), which means that only 20% of current students in some areas’ colleges (predominantly male) will continue to benefit from the courses without charge. Lack of good English is a key barrier to employment to disadvantaged communities in the inner city.

3.7 Housing stock remains a critical issue in the Core Cities. In some areas inflexible, run down and devalued housing stock remains an unresolved issue, particularly in the face of declining house prices overall. The very large funding reductions to Housing Market Renewal programmes will impact significantly on the ability of areas to follow through on the regenerative strides forward that have been made. The variety of stock and availability of new housing is equally hampering economic growth in other areas within the Core Cities, and the ability of public investment to unlock development and drive growth is greatly reduced. The HCA “gap funding regime” is considered to be a very cost effective way of supporting schemes in many places, for example by funding a mix in tenure to get developments going. However, a broader “whole area” approach to pooled investment might deliver even greater benefits in the future (see 5.1.3 below).

3.8 Recent independent forecasts\(^3\) have demonstrated that the new Core Cities’ Local Enterprise Partnership areas are capable of producing an additional one million jobs and £44 billion of GVA over the next 10 years, dependent on influencing a number of growth factors.

3.9 The Local Government Resource Review seeks to incentivise authorities to drive exactly this kind of growth through the retention of business rates. However, business rates do not necessarily correlate well with economic and productivity growth, and could lead to a perverse incentive being offered to local authorities. Core Cities have made separate submissions to the LGR R, but we offer one example here which has a direct potential bearing on inner city regeneration.

3.10 One of the fundamental questions that the review must seek to answer is “what are we trying to incentivise”? “Business growth” is too broad an answer and business rates alone too blunt a tool to drive the economic and productivity growth that is required to rebalance the economy. For example, business rate return is generally highest from the retail sector, and yet the country also requires high value knowledge industry to flourish, as well as some manufacturing. Replacing infrastructure in cities will lead to a temporary loss of business rate revenue, and could perversely incentivise Greenfield development. Global forces can influence growth and decline, and to be truly incentivising a new system will need to clearly understand the connection between local authority activity and the returns in business rates. Core Cities have therefore proposed that the new system:

(a) creates a weighting to incentivise growth in particular sectors;
(b) allows authorities that are net recipients to receive a “top up plus” where they have demonstrably achieved growth;
(c) supports authorities in bridging the gap in revenues where infrastructure is replaced;
(d) has in place a system to deal with unforeseen and major economic shocks; and
(e) clearly understands the link between local authority intervention and growth.

3.11 Furthermore, Core Cities have set out a case to the above review which demonstrates that in order to drive growth, a city authority (and its business partners) require greater control over the levers of productivity at the local level. This is not necessarily an argument about who holds the budget, it is an argument for more locally directed investment and commissioning, which creates efficiency and has more chance of leveraging private sector investment for regeneration and other purposes.

3.12 Achieving this will require a major culture shift within Whitehall away from a centralised notion of delivery toward a more localist vision, shared across departments. This culture of centralisation created challenges for regeneration previously, and with less resource and capacity in the system overall, it must shift to generate the efficiencies and new solutions required.

3.13 The role of Core Cities is therefore critical in driving growth and particularly in strengthening the productivity of labour markets, and following through on regeneration to reduce dependency. Our Cities are in the best position to take an holistic approach to this important work through:

— raising skills;
— reducing worklessness and dependency;
— improving transport connectivity; and
— balancing housing markets so that they meet the broad needs of workers.

\(^3\) Oxford Economics in, Our Cities, Our Future, Core Cities 2011
3.4 Fundamentally this is an agenda of increasing employment, access to employment and reducing welfare dependency in cities and therefore reducing the costs of public services—an aim that both central and local government share. Cities will continue to provide a huge contribution to the tax base in terms of business growth but should also increasingly have the ability to control and drive down welfare dependency. This means that local government should—over time—be given the tools to tackle dependency and add value to the Government’s Work Programme, as well as being given the tools to promote business growth. Cities therefore welcome many aspects of the plans for regeneration to achieve growth, but wish to be able to work on the detail of policy development to ensure that it is fit for purpose on the ground.

4. The Importance of Community Budgets

4.1 Whilst driving economic growth must be a key priority, the other side of the equation is public sector reform, reducing dependency and ensuring the benefits of economic growth can be linked to the local population. The second phase of the local government resource review, with the emphasis on community budgets, has a pivotal role in how we use our resources more effectively to achieve this, as well as important implications for the future use of capital finance.

4.2 Core Cities are already working to support regeneration through public sector “business”—using recruitment, procurement and commissioning to create local employment and training opportunities, supporting local economies and the growth of local markets as well as to secure sustainable development. This approach has the potential to be significantly developed beyond the Community Budget Pilots, through Core Cities Group.

4.3 Core Cities are interested in developing the potential of pooled approaches to finance and integrated service delivery to invest in interventions to reduce dependency, but also on pooling of capital finance. These are, based on but going further than the current Community Budget models, which have considerable potential to produce regenerative effects across wider urban areas. There is a strong need to tackle the institutional barriers and structures that exist both within places, and between agencies that invest and intervene in an area, to enable efficient, outcome focused working at neighbourhood level on regeneration. Community Budgets offer a route to creating combined single budgets which could radically transform local ability to create growth and reduce dependency. However, it is essential that key partners such as DWP, Work Programme prime contractors, GP commissioners and others are fully engaged in the Community Budget project.

4.4 Following the principle of Localism, we see no reason why this approach should not be available to any geography that wishes to use it, subject to a set of competency tests, for a broad range of thematic priorities to be decided at the local level, rather than designated centrally.

4.5 We understand that this will be covered in Phase two of the Local Government Resource Review, but raise the issue here as we consider it critical to achieving our shared aims for growth and reducing dependency. Phase one of the review is covered below. Getting solutions closer to problems, creating significant efficiency through decentralisation and pooling finance to leverage private sector investment for private sector growth are all possible through an expanded Community Budget approach. This becomes more likely if longer timescales over certainty of funds can be provided (ie a more stable income stream).

4.6 Although CLG has shown significant leadership, we have yet to see a real enthusiasm for this approach across Whitehall and it risks undermining the whole decentralisation agenda. If Community Budgets do not develop very significantly beyond the pilot phase it would be a negative signal for the future of Localism.

4.7 The community budget approach must be underpinned by robust evaluation and co-investment across agencies based on understanding to which agencies the benefits of interventions accrue.

5. Further Points for Consideration

5.1 Financing and infrastructure

5.1.1 Much “localist” policy discussed by Government resonates with Core Cities, but urban regeneration as a policy area has been particularly hard hit by spending reductions and, in the context of the overall financial settlement for local authorities, becomes increasingly challenging to implement. This is particularly so without the additional freedoms cities would like to see devolved to the sub-national level, following the principles of localism and ultimately leading to further devolution, ie to the lowest level appropriate for the issue at hand.

5.1.2 At a moment of greatly limited financial resource, Government should focus that resource primarily on those areas that are capable of delivering the required economic and jobs growth, in order to get the best possible return on public investment, particularly in terms of private sector growth.

5.1.3 Financial innovation and the application of creative thinking to the use of such resource is also required to obtain greatest value, and Core Cities have set out a number of such options in our response to the local Government Resource Review. Not least of these is the implementation of TIF, which should now be quickly expedited. The potential for pooled investments and funds, including for capital, across LEPs and Combined Authorities should also be explored and piloted.
5.1.4 Well funded flagship projects often spearheaded previous regeneration programmes. This model relied on significant cash injection from Europe and other sources, but with the accession of new EU countries and the impact of recession on countries like Greece and Portugal, we can no longer rely on such funding. We now need to look to a more sustainable model of urban development, driven bottom-up, by grassroots community and business engagement, real local autonomy and real economic opportunities, rather than by large-scale funding programmes determining need top-down.

5.1.5 The Local Government Resource Review becomes a missed opportunity if it is seen simply as a redistributive financial exercise. The primary missed opportunity in the review is to set out the strategic vision for the future relationship between local and central government, and relate this to economic growth on the one hand and reduction of dependency on public services on the other. We would welcome an opportunity in the review to clearly set out that longer journey toward a point where local government can be financially independent of central government, and where major urban areas can play their full role in driving productivity and growth. Business rate retention alone will not achieve this. The recent work of the Political and Constitutional Reform Committee on codifying the relationship between local and central government has set out some promising ideas in this respect.

5.1.6 We are therefore recommending that the review is extended to a “Phase three”, that will examine these issues, but which will not necessarily delay implementation of Phases one and two. Alternatively, a standing committee of working group with Core Cities might be formed to guide implementation and take a view on these wider issues. We are submitting separate analysis on this review and are happy to share this with the Committee.

5.1.7 As above, although the pilots focus on reducing dependency, the principles behind the Community Budget approach hold out a potentially different future model for capital finance. The development and devolution of single capital budgets for economic development, housing and transport to cities and city-regions would be a significant measure to enable areas to better plan and co-ordinate development and attract private sector investment. Linked to this it is also important that investment on transport and other infrastructure is assessed and appraised in a way that recognises their contribution to economic and employment growth and reducing dependency.

5.1.8 The financing of much needed infrastructure remains very challenging for cities. We recognise that there is less resource within the system overall and capital resource in particular has reduced. However, we must find new ways to invest in creating competitive places for the long term, or risk losing out significantly to the competition, which exists primarily in other countries, not this one. The financing of public realm has particular challenges associated with it, and yet it can add significant value to developments and to surrounding land and business values.

5.1.9 Tax Increment Financing will have an important role to play in resolving these issues in the future, and following ministerial commitment, Government should now move quickly toward its implementation. Government’s view is that primary legislation is required for TIF, but there are other views that should be tested. TIF is part of the Local Government Resource Review. If that review becomes protracted, TIF should still be implemented quickly, particularly within Enterprise Zones. The view of the Core Cities is that Government can relatively quickly implement a model of TIF, and that arrangements could be made to run TIF in Enterprise Zones in any case.

5.1.10 The last decade has seen the Core Cities greatly improving their productivity through regeneration interventions, yet they do not regard this as “job done”. There is a view that incomplete regeneration will become entropic, and a slide back toward urban decay in some places is likely if programmes are not followed through into completion. The sudden and large-scale withdrawal of funding makes this a real likelihood in some areas and schemes.

5.1.11 The Regional Growth Fund and other funds such as ERDF are relatively small and should be used where they can be most effective at leveraging private sector investment for private sector growth. This should be a condition of their deployment and, in the case of ERDF, Core Cities and their partnerships should be central to the development and delivery of programmes in the new 2014-20 programme period.

5.1.12 In general we are supportive of the limited range of opportunities and incentives being made available by government on financing at present. In the longer term cities require increasing financial autonomy and access to a wider range of potential revenue streams than at present so that they can better drive economic and employment growth. It is essential that Local Enterprise Partnerships are given the opportunity to have greater influence over skills policy and delivery in order that they can combine and co-ordinate interventions and ensure that skills are available to meet the needs of a growing local economy.

5.1.13 Similarly it is important that cities with the potential for high job growth are able to support those businesses that wish to expand. National and local programmes of activity need to be supportive of one another and need to link to other local interventions such as training. Linking back to the Local Government Resource review it would seem inconsistent to provide incentives for local business growth through business rate retention whilst maintaining nationally driven programmes.
5.3 Skills and business support

5.3.1 Skills are a critical economic driver and a means to move people closer to the labour market. A high quality, private sector-led skills market driven by current and future demand that meets the needs of employers and local economies would of course be valued, but the market can have perverse outcomes where commercial providers make real effort and progress in some areas, but not in others, losing productivity gains overall. Enhanced local influence over skills provision is critical to get the solution closer to the problem, to enable closer connection from local labour market demand to supply, and to understand the individual needs of different functioning labour markets and businesses within them.

5.3.2 Improving skills means that strategic planning involving all local agencies must take place alongside the development of private sector provision. Commercial providers and businesses will tend to focus on short-term market demands. Core Cities through their LEPs have a critical potential role in ensuring that the longer-term skills needs across sectors are recognised and invested in, which is an issue of national economic resilience for the country.

5.4 Inward investment

5.4.1 Inward investment is challenging to generate for any city, and capacity to attract this has been removed from the system. There is a view that the market will always place investment where it will create greatest return, but is this is always the case? An alternative view might be that the market often places investment where it has little risk, and a reasonable return can be guaranteed. There is perhaps an endemic issue here, which is that the investment market perceives urban areas away from the South East as more risky than they actually are, and Government support in demonstrating and making the opposite case could lead to a significant and mutually beneficial rebalancing of the economy. This is essentially about supporting market growth potential and we would welcome a more focused relationship between our cities and relevant Government agencies, for example UKTI.

5.5 Decentralising to drive productivity and growth: the opportunity of the Localism Bill

5.5.1 The Core Cities are committed to localism and a localist approach, and are working with Government to secure this across a wide range of policy areas. This includes a supportive approach to Community Budgets, whose use we would like to see developed and extended to cover a wider range of policies which impact on regeneration. However, real decentralisation that will drive productivity from the local level has yet to materialise.

5.5.2 The Local Government Resource Review, Local Enterprise Partnership policies and Enterprise Zone announcements all contain elements that point toward decentralisation and devolution, but that do not—as they stand currently—confer the powers needed over the levers of productivity to drive growth, reduce dependency and deliver regeneration. In addition, investment, particularly for infrastructure, and economic policy focus has concentrated heavily on London and the South East, leading to an unbalanced national economy.

5.5.3 The Localism Bill offers a major opportunity to set this right, and to create a level and equal playing field of opportunity between the London and the South East, and the rest of the country, to enable major urban areas to achieve their economic potential. The Bill does provide these powers for London. Core Cities group is proposing a similar new power, for the Secretary of State to designate “Urban Economic Growth Areas”, which through a process of earned autonomy and robust governance development, are over time able to access further powers to drive sub-national growth. This is not an anti London argument, it as “London plus our other major economic centres” argument. It is difficult to see a reason why we would not want to enable our other cities to drive growth and deliver regeneration in this way.

5.5.4 Such an amendment may, in the longer term decrease the effect of the Local Government Financial Settlement 2011, which—as evidenced in our submissions—resulted in an unfortunate correlation between the biggest cuts and the most deprived areas in the country, many of which are in Core Cities’ urban areas.

5.5.5 Community led regeneration is powered by a strong civil society with the capacity engage and drive initiatives. Community-based infrastructure has been significantly developed in recent decades through funded regeneration programmes and this is being reduced through budget cuts and programmes ending. It is limiting the capacity of organisations, groups and individuals, particularly in disadvantaged communities, to engage with and maintain initiatives which contribute to the regeneration of their areas. These local organisations and groups have a critical role to play in engaging and supporting those hardest to reach.

5.6 Capacity

5.6.1 The issue of “capacity in the system” for regeneration and economic development needs to be recognised. England has built an international reputation for excellence in regeneration which it has successfully exported globally. We stand to lose this expertise and experience to competitors.

5.6.2 The restructuring of economic and regeneration architecture has led to a large withdrawal of capacity and the learning, best practice and importantly the mistakes of the past have perhaps not been properly captured. Where this capacity does exist—and it is largely within our major urban areas—it is worth thinking about how
it can be used to support the development of capacity elsewhere and for the future, perhaps through peer group learning.

5.6.3 Learning the lessons of past successes and mistakes is critical to enhancing current capacity. We should for example:

(a) avoid short term initiatives that can lead to fragmentation at the local level;
(b) recognise and empower the local knowledge, expertise and energy of individuals and communities;
(c) set individual schemes within a wider programme of a strategic area/city wide approach;
(d) join up at a national as well as local level—for example the policy and programmes of BIS, DWP, DfT, DCMS, and others all have an impact on regeneration as well as DCLG (commissioning of the Single Work Programme and JCP becoming part of DWP create worrying precedents in this respect and opportunities for Core Cities to really engage with shaping the mainstream employment programmes remain very limited); and
(e) acknowledge that Core Cities are well placed to work with Government on this to ensure effective investment and greatest impact in our major cities.

5.7 Final thoughts

5.7.1 The Government needs to bring forward policies that favour those places that are best able to drive growth, and extend the benefits of that growth across a wider field. Evidence from a Core Cities group analysis of the growth potential of Local Enterprise Partnership areas shows that up to 1 million additional jobs could be created over the next 10 years but only if they are properly empowered, supported by robust and democratically accountable local government mechanisms, including the amendment to the Localism Bill that we propose.

5.7.2 There is a strong synergy with many of the Government's proposals and the autonomy that Core Cities have long advocated. The cities stand ready to work on these issues jointly, and with Government and its agencies. It feels in many ways as if we are on the cusp of the devolution that we know will drive prosperity, but it is critical that this is quickly followed through into action to maintain confidence and continuity.

5.7.3 We would be very happy to provide more information on any of the above points as needed.

April 2011

Written evidence submitted by the Kier Group

1. How effective is the Government's approach to regeneration likely to be? What benefits is the new approach likely to bring?

Achieving genuine regeneration, particularly in areas of high deprivation, requires a real understanding of the complexities of delivering mixed use schemes that can revive the local economies of local and wider areas, covering high quality housing, increased employment levels, as well as the creation of new businesses and services that ripple out beyond the immediate area.

Such regeneration requires a combination of private and public sector intervention working effectively and creatively across several disciplines (covering both expertise and funding), sensitivity to the needs of local communities and a need to extrapolate into the long term. This includes the human, bricks and mortar and financial impacts of these substantial developments.

The current economic environment is a challenging backdrop to the Government's attempts to drive regeneration across the country. Since May 2010, the new coalition Government has sought to aggressively reduce the financial deficit, leading to reductions in public spending in key areas that have hitherto supported the regeneration of the regions, as well as abolishing or merging certain quangos that were responsible in whole or part for supporting these developments.

There are concerns amongst those involved in the sector that changes since the General Election made to the structures and funding of regeneration projects across the country will impinge on delivery. This could either mean that schemes may not proceed, they may be delayed or if they do, their outputs may be compromised by lack of resources or funding.

The key changes since the Election (some of which are still in the process of being introduced) and which are likely to affect the deliverability of projects include the following:

— Reduction of grant funding for affordable housing: Prior to the Election, the previous Government targeted housing and mixed use development with high levels of grant funding as a key means of improving housing quality whilst retaining employment levels in the construction industry. Whilst such levels may have been unsustainable, since May 2010, grant funding was initially reduced, then cut back substantially to the extent that schemes requiring planning consents through the planning system will no longer qualify for grant funding.

This means that there is now a gap in many schemes across the country that neither developers nor
councils are able to fill, apart from by reducing levels of affordable housing or other public realm, Section 106/278 or infrastructure benefits that enable such regeneration schemes to work effectively.

Switch from social rented to affordable rented housing: Whilst the theory is that lost grant funding will be replaced with higher rents achieved by affordable rented housing, compared with social rented housing the reality is more complicated.

Registered providers (RPs) have a number of concerns about the introduction of affordable rents, including the following:

- The lack of grant funding makes the cost of private finance much higher, due to a greater financing requirement and the extra risk involved for lenders.
- Uncertainty about the future direction of market rents that could lead to affordable rents reducing over time to keep in line with 80% of the open market limit. This could be exacerbated in areas where high numbers of affordable rented properties come onto the market over time (either new or relets).
- Possible future changes to housing benefit regulations that could limit the ability of RPs to charge up to 80% of market rent.
- Demand patterns for the affordable rented product that could mean higher void levels over time. The concern is that value will be lost from schemes as a result of the move to affordable rented housing, meaning that the delivery of affordable housing will be made more challenging as part of regeneration schemes.

Move to Localism: The shift towards decision-making being made by local communities, including regeneration schemes, could offer real opportunities for involvement by people who will be directly affected.

However, the wider concern is that local people with little specialist knowledge of complex regeneration schemes may be able to resist or slow down the progress of such projects, unless the process is handled appropriately.

Abolition of Regional Spatial Strategies (RSSs): Although regarded by the current Government as a bureaucratically imposed on local authorities, RSSs enabled councils to set out the requirements for new private and affordable housing across their areas into the future.

Coupled with the localism agenda, the abolition of RSSs means that local people and councils can more easily resist new developments, including much-needed regeneration schemes as the new homes, businesses and services could be considered as unnecessary in their area.

Abolition of the Tenants Services Authority (TSA): The formation of the Homes and Communities Agency (comprising English Partnerships and the delivery wing of the Housing Corporation) and the TSA, which were set out in the Housing and Regeneration Act (2008) were considered to be positive means of improving the quality of affordable housing delivery, whilst enhancing the role of tenants and residents in the management of their homes.

However, the more recent decision to abolish the TSA as part of the ‘bonfire of the vanities’ from April 2012 sends out a message to occupiers of affordable housing that their views are less important than before and could limit their ability to provide genuine influence over regeneration schemes at the local level.

Abolition of the Regional Development Agencies (RDAs): The expertise built up over many years risks being lost by the abolition of the RDAs. Their replacement by Local Economic Partnerships (LEPs) could mean lower resources (including public funding) to commit to regeneration and lead to a more centralised approach, including areas such as inward investment, innovation, key sector development and response to economic shocks.

Inward investment in particular has been very successful over a long period of time at a local level and consideration to restoring this through LEPs should be made.

Public sector land: There are concerns that in an economic environment where land values have been depressed since 2008, an insistence that councils, RDAs, HCA, NHS, etc. land are forced into a “fire sale” should be resisted as there will be concern that best value will not be achieved.

However, recent announcements from the CLG (Grant Shapps and Eric Pickles) in particular reflect frustration at the inability of the public authorities, especially councils, the RDAs and the HCA to engage meaningfully with the private sector in developing plans to achieve high quality regeneration initiatives. It should be possible to build in future growth in values as part of joint ventures with the private sector that enable all partners to share risk and reward appropriately over time.

Such an approach should be encouraged further by the CLG, such that the public authorities with land that could be used for regeneration purposes should be encouraged to see the wider benefits of utilising their land, possibly whilst adding in the land banks of developers and other private sector landowners to form more comprehensive areas of land to regenerate.

Starting from a position of gifted land, with possibilities for financial returns as schemes take off should be the default position for such public land owners when entering into such regeneration schemes.
— Elimination of Key Performance Indicators (KPIs): The recent move away from the use of KPIs to assess the ability of regeneration schemes to meet specific targets should be resisted. Only by setting out clear objectives for such major projects and seeking to measure these over time can the real benefits (people, building and finance related) be assessed within and between projects. The CLG should consider the retention of these tangible KPIs as part of all regeneration schemes involving public funding.

— Town planning: There is a need to address the slow pace of making and resolving planning applications at all levels of development, including regeneration. It is difficult to see how this situation could be improved within the current structures without top down KPIs being imposed upon local planning authorities by the CLG.

However, a reduction in the levels of bureaucracy involved a streamlining of the pre-application process and imposing timescales on the resolution of planning applications should all be considered, albeit that speeding up the planning process will be made more challenging by the need for local authorities to cut staffing levels to balance their budgets over the next year or so.

The introduction of the Community Infrastructure Levy (CIL) should not be regarded by local planning authorities as a means of increasing the planning obligations pot. Also, in London, the Cross Rail levy should also not seek to impose additional onerous obligations on developers making planning applications.

In a period of low or no economic growth and with public finances in substantial deficit, the Government will have to tread a fine line between cutting public spending, whilst encouraging timely resolution of planning applications and so encouraging all developments, including regeneration schemes.

The role of resource allocation and how local regeneration initiatives can be supported with the necessary expertise is a fundamental one. Ensuring that there is a clear role for all those organisations involved in such projects, along with certainty of future direction, are fundamental issues that the CLG can help to organise and fund appropriately.

Best practice guidance, standardised planning agreements and legal agreements could be produced by the CLG to help speed up the move towards contractual close between councils and their private sector partners, whilst keeping costs down and avoiding continual reinvention.

2. In particular: Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on? Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

The recent approach of the coalition Government suggests that much of the expertise built up over many years risks being lost with the abolition of the RDAs and their replacement with LEPs.

Continual reorganisation of the public bodies charged with helping to spark regeneration across the regions is likely to limit the ability of the retained and new organisations to keep that stored knowledge and experience over time.

The experiences of councils and developers in regeneration should enable knowledge to be captured and built on over time. Many councils now have regeneration departments and employ teams focusing specifically on estate or area-based projects.

Many larger developers, house builders and contractors also see the benefits of being involved in major regeneration schemes and are committed to building business in this area. It is potentially an attractive model, as it covers a variety of business streams within large Groups such as Kier, enabling them to work together in partnership and to provide a ‘one stop shop’ for the enabling authorities.

The availability of public funds for regeneration is likely to be insufficient for the foreseeable future, given that not only have funds been reduced but housing values, as well as commercial rents and yields have been subdued since 2008.

The introduction of affordable rented housing may help to offset some of the lost grant funding, but is unlikely to fully compensate for the next few years at least. Other sources of public funding have been reduced and this will make schemes even more difficult to make financially viable.

Meanwhile the allocation of the public subsidy that is available could be made more locally based and targeted. The HCA, for example, appears to be moving more towards an overall four year allocation for a programme of schemes, meaning that individual projects can fall between the cracks.

In some cases, smaller schemes that provide discrete local responses to a specific range of issues may also be squeezed out by a more macro-economic approach to funding regeneration projects.

In many cases, the sponsoring authorities may have to review the aims and objectives of their projects and cut their cloth accordingly. If public funding has reduced and revenues cannot offset the lost subsidy, then areas that may have to be constrained include affordable housing (particularly social rented housing), community facilities, infrastructure, public realm and Section 106/278/CIL contributions.
The private and public sectors will have to work more closely together in future to ensure viability and to provide a balance of uses that will enable projects to proceed. A pragmatic approach will be necessary, working as part of an open book appraisal basis.

The partners should be willing to prepare flexible cascade mechanisms and overage agreements within planning agreements; to protect regeneration schemes against lost values or public subsidy (or indeed increased costs) as they progress over time. Such documents could be produced as standard templates by the CLG to avoid continual ‘reinvention of the wheel’ and to keep costs down.

3. What lessons should be learned from past and existing regeneration projects to apply to the Government’s new approach?

A top down approach generally does not work and the further away geographically the parties to a regeneration project are the less likely swift and appropriate decision-making is likely to occur.

Councils and developers may oppose project officers being “parachuted” in from central London locations. The HCA has been guilty of this in the past. Whilst the offices of such organisations are currently being rationalised, being able to retain a local presence remains a real challenge.

A fine line has to be taken in these projects between ignoring local people and allowing communities the right of veto over substantial and costly regeneration schemes.

There is a concern that Localism should not lead to “nimbyism” and to delays or the cancellation of important projects that will help to revive strategic regional areas for the longer term and for the benefits of wider communities than those directly targeted.

An appropriate community engagement has therefore become a perennial issue and lessons have been learned from past approaches which have often left local people disenfranchised and excluded from the development of the regeneration initiatives that they are supposed to benefit from.

It is key that buildings are ‘future proofed’ as much as possible at the outset, such that management and maintenance costs are minimised, renewable energy is maximised and CO2 minimised. Higher build costs can translate into lower utilities bills for occupants and lower running costs.

For larger scale projects, use of combined heat and power (CHP) should be encouraged and high levels of the Code for Sustainable Homes encouraged. High BREEAM standards should be applied for commercial buildings.

Lifetime Homes standards and wheelchair accessibility enables buildings to be used by people of all ages and ability. Crucially, if the circumstances of people change, whether through age or infirmity, they can still fully utilise their properties.

Other high standards, such as the HCA’s Design and Quality Standards and the Greater London Authority’s Design Guide should be used as aspirational templates for residential developments. Secured by Design can help to design in high levels of security for buildings at the outset.

4. What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

The role of local charitable organisations should be explored in more detail when reviewing the partners required for regeneration schemes. Their involvement can bring local expertise of the problems relating to an area, the potential for volunteer support and even matched funded financial assistance.

Other voluntary groups and the potential for “sweat equity” (eg self build developments) can also bring a wider range of skills and resources to be utilised by the project teams.

The use of EU sources of public finance, including the European Regional Development Fund (ERDF) can add to grants and public subsidies generated at the national level. Greater use of environmentally friendly approaches to construction and ongoing use of buildings may help to unlock such funds.

Crucially, the credit crunch continues and the availability of bank finance remains a real problem across the economy as a whole. Encouraging providers of private finance to release funds for regeneration and other schemes must remain the highest priority for Government.

Possible ways of encouraging more money to be made available include risk sharing, taking equity in schemes, involving banks in the development of schemes and providing cascade mechanisms of the kind described above to de-risk regeneration schemes.

Investors may be encouraged into projects with opportunities to invest in private and affordable rented housing, depending on the level of rents to be charged and the rent guarantees to be offered by the public authorities (if any).
5. How should the success of the Government’s approach be assessed in future?

A successful approach adopted by the Government will be assessed by thriving communities delivering high quality housing, increased employment, successful businesses and services, reduced crime and antisocial behaviour levels in virtuous circles that will ripple out to improve the neighbouring areas, thus enhancing an area much wider than that of the immediate regeneration.

A worry is that public spending at too low a level may result in relatively few schemes actually commencing and starting to generate the benefits that should be anticipated. At this stage, it is not possible to know whether there is a “threshold” level of public investment that will be required to kick start these complex and challenging schemes. It would be a concern that the public money spent was unable to make a tangible difference to bringing these schemes forward.

However, should the economy revive and private sector values, rents and yields improve, then it is possible that they will take the strain and help to deliver regeneration over the next two to five years.

Ultimately, the success of the Government’s approach will be assessed against KPIs, from the human element (e.g., number of people housed by tenure, number of jobs created (full and part time), improvements in the deprivation index, etc.) to buildings (e.g., number of family units, quality of homes built (Lifetime Homes, wheelchair access, etc.), environmental performance (e.g., Level of the Code for Sustainable Homes achieved, level of demolition recovery, retained materials, recycled and reclaimed content, etc.), additionality and other economic development indicators.

March 2011

Written evidence submitted by the British Property Federation

Introduction

1. This submission by the British Property Federation has been prepared in response to a request by the Communities and Local Government Select Committee for views on the effectiveness of the Government’s policies on regeneration.

2. The British Property Federation (BPF) is the voice of property in the UK, representing companies owning, managing and investing in property. This includes a broad range of businesses—commercial property owners, financial institutions and pension funds, corporate landlords, local private landlords—as well as all those professions that support the industry.

3. The Select Committee has indicated that it is particularly keen to receive views on the following points:
   - How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?
   - In particular: will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on? Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?
   - What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?
   - What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?
   - How should the success of the Government’s approach be assessed in future?

The Current Position

4. A lot of progress has been made in recent years in reviving some of our cities although huge challenges remain. The regeneration model during those years has depended on the injection of very large amounts of public money, much of which was not spent as effectively as it could and should have been. It was also driven by:
   - readily available development finance from banks and others, underpinned by rapidly increasing if unsustainable property values;
   - good returns from high density housing developments, supported by rising prices and readily available mortgage finance;
   - development returns of a scale that allowed development in poorer areas as well as ample contributions from developers to both physical and social infrastructure; and
   - the availability of both public and private finance for infrastructure.

5. Current economic circumstances mean that the regeneration template of the last 15 years is no longer viable. Very little development of any kind is now taking place outside prime areas in Central London. As regeneration is by its nature on the margins of viability then it is affected even more severely than more
standard types of development. Paradoxically, however, the need for an active regeneration agenda is more important than ever in order to:

— rekindle economic growth;
— help rebalance an economy in which dependency on public spending in many areas has grown to unsustainable proportions; and
— create places that meet the needs of communities and reinforce social cohesion.

The Policy Response Needed

6. The key ingredients of any new policy must be to:

— ensure that regeneration is driven by a clear economic agenda that has growth and job creation at its heart;
— strike the right balance between physical regeneration and job creation / skills development;
— focus scarce resources on those areas where they can have the greatest impact, not on those areas where the scale of deprivation is greatest—that will involve taking some hard decisions;
— free up local authorities to act innovatively and proactively and allow them to take greater risks; and
— enable neighbourhoods to play a greater role in remedying signs of decay.

Government Initiatives

7. The Government has announced a number of new policy initiatives intended to foster growth and regeneration. We are generally supportive of these initiatives, but a great deal more work is needed to ensure that they operate effectively in practice. We would offer the following comments:

Enterprise Zones

8. Ministers have indicated that they are planning to reintroduce Enterprise Zones in some form and we gather that more is likely to be revealed of the Government's thinking in the forthcoming Budget. The British Property Federation supports this initiative but we would like to offer some thoughts on what we believe will be needed to make the concept work.

9. The evidence from the previous round of EZs in the UK shows that, overall, they brought significant benefits. The criticisms tend to be that the cost to the public purse of creating new jobs was high, particularly when displacement effects are taken into account. Moreover, the momentum in some areas flagged when EZ status ended. Against this, however, there is no doubt that many of the EZs in the UK served to kick start a process of regeneration which would not otherwise have been possible with new factories, offices and other commercial development being delivered in some very challenging areas and times. The long term transformation of London Docklands bears testament to this. In a good number of EZs the momentum established by EZ status has continued. Moreover, whilst the cost of overcoming locational barriers is bound to be high it is also important to remember that there is also a high cost associated with not doing anything.

10. Drawing on the experience of previous EZs and other area based initiatives the BPF believes that the following issues should be taken into account in drawing up proposals for a new set of Enterprise Zones:

Focusing on the Right Areas

— The focus should be on stimulating new businesses, business growth and job creation. Areas for EZs should not, therefore, be identified purely on the basis of social or economic deprivation but rather on the basis that the locations and resulting development will be capable of becoming and remaining higher quality locations beyond the duration of zone designation. Where a deprived area has little potential to develop sustainably a better option may be to help those access employment opportunities elsewhere through, for instance, improved transport infrastructure.

— Infrastructure provision and accessibility are critical to the success of an EZ, particularly in terms of transport, its capacity and the timing of its provision, but also in terms of access to the technology infrastructure needed to serve businesses, and the linkages (including transport/ IT/ networks) with already established commercial areas and markets to be served.

— In some areas, where there has already been substantial economic development but where its completion has been stymied by the recession (eg in parts of London Docklands such as the Silvertown area), there may be the opportunity to build on past investment in, and public sector funding particularly of, transport infrastructure, by more directly enabling the development of land/ sites adjacent to this underused transport infrastructure (eg by funding site decontamination and it might therefore be appropriate to reform land remediation relief in EZs).

— If businesses are to operate as efficiently and productively as possible (for example, taking advantage of agglomeration benefits) they need to be located in the most appropriate places rather than be diverted into inappropriate places as a result of misconceived incentives. It will be important to ensure that EZs do not have this effect.
— To ensure that the new Enterprise Zones are located in the areas where they could offer the greatest benefits we see a lot of merit in a competitive application process.

— There is a need to avoid the wasted years that usually follow when a new organisation is set up. The structure/organisation of an EZ is, therefore, critical. In theory, Local Enterprise Partnerships could have a significant role in setting up Enterprise Zones as they bring together both business and local authority interests and should be able to look at the broader impact that an EZ might have. As LEPs are unlikely to be fully functional for some time, however, the only real alternative may be to bolt these onto local authorities—perhaps requiring them to work out how to secure local business organisation.

**Incentives**

— We also see a case for the nature of incentives on offer being adjusted to take account of the requirements and characteristics of different areas. This would also make sense in the context of the move towards allowing greater local discretion. It would also help ensure that there was compatibility with other Government schemes such as tax increment financing. We therefore see merit in the concept of Local Growth Zones put forward by the Centre for Cities under which urban locations could choose from a menu of policy options.

— Whatever incentives are offered within EZs current issues surrounding the availability of bank finance for property development and investment will remain a major (and largely negative) influence on the pace, scale and type of development proceeding. The availability of finance, therefore, must continue to be an issue high on the Government's agenda.

**Fiscal Incentives**

— Tax incentives were integral to the success of previous EZs. We realize, however, that the Government may not be in a position to offer lavish fiscal incentives and so what is available will need to be carefully targeted. Nonetheless, the fact remains that the availability of first year capital allowances for the construction of new industrial and commercial buildings was the single most important element of previous EZs. Without something similar, property developers are unlikely to put up buildings ahead of occupier demand.

— Given that the industrial buildings allowances will end completely on 6 April, there may be room for a more bespoke and targeted regime. Thought could be given, for example, to the rates of relief and circumscribing when relief is available.

— Current conditions, particularly the lack of bank lending, means that there may now be a need for some shift of focus towards “front end” taxes (eg reduced rate of employer NIC to encourage jobs) in order to kick-start the process rather than sticking solely with “back-end” taxes such as capital allowances which can take years to secure and do not benefit all investors).

— A key difficulty will lie in striking the balance between short and longer term measures. Short term measures, which will probably require simple fixes, could adopt the existing tax infrastructure and look at the scope for exemption or lower rates. Possible measures could include: exemption from the Community Infrastructure Levy, business rates and other sticking taxes, a reduced rate or longer payment period for VAT / SDLT relief to enable efficient pooling of land interests/reduced rates of SDLT on granting leases.

— Another key plank of EZs was the encouragement of occupier demand by offering business rate relief. However, under the old enterprise zones regime, business rate relief was only available to UK corporation tax payers. We believe that relief should be extended to all UK tax-paying business rate payers, regardless of whether they pay corporation tax or income tax.

— We would also emphasise that unless rate relief is available in EZs for empty commercial premises then construction of new development in anticipation of demand—especially from SMEs, which cannot always commit to pre-lets years in advance—will be severely undermined.

— However, business rate relief is not without its disadvantages. It can push rents up. More importantly, its advantages for local authorities may be offset by the associated loss of revenue in a world with greater local retention of rates.

— It is important to remember, too, that many firms in EZs benefitted not just from the specific EZ incentives but also from more generally available grants and other benefits. It is therefore important to consider the whole package of both EZ and non EZ benefits that may be available within an area.

**Planning**

— Simplified planning regimes were not as important as fiscal incentives in getting development underway in EZs. Nonetheless, the scope for development to proceed without going through the usual planning application process (but within locally defined, general guidelines) would be an important part of any package of measures aimed at encouraging developers to supply buildings ahead of market demand. Allowing an EZ to do an SPZ / Neighbourhood Order, therefore, might be helpful.
— The constraints of the current EIA regime (and sustainability targets) which are now in place need to be addressed—consideration needs to be given to whether these requirements could be reviewed/relaxed to ease the burden.

— There will be a need to consider how the Enterprise Zone concept would sit with today’s far more demanding planning obligation system, and CIL. It would seem odd to be providing capital allowances and other incentives for developers to produce new buildings, only for them to be hit by other taxes, planning obligation requirements and charges.

— Given the focus within Government on land availability there is an opportunity to use EZs to pilot simplified compulsory purchase order processes. It might also be feasible to allow compensation to be paid in the form of shares in the eventual development—a sort of compulsory land pooling exercise.

Skills

— The availability of labour (and of the public transport needed to deliver that labour to the EZs) should be a major consideration in the designation process. Equally, skills development and training must be an important part of the EZ package if the local population is to benefit.

Tax Increment Financing

11. With few projects stacking up in conventional development appraisals, there needs to be a more creative approach to attracting new investment from the private sector. We are delighted that the Government has indicated its commitment to take forward tax increment financing (TIF) in order to facilitate the upfront funding of the infrastructure that is so often crucial to project viability. It is disappointing however, that TIF is already a reality in Scotland whilst its introduction in England still looks a long way off. It is significant that all of the leading law firms that we have consulted believe that TIF could be introduced in England (as it has been in Scotland) without the need for primary legislation. They believe that the necessary powers already exist and that the Government is unnecessarily opting for a belt and braces approach. We have yet to see a convincing explanation from Government as to why primary legislation must be introduced before TIF can be used in England.

12. Given its potential to unlock a significant number of stalled schemes, TIF should be introduced at the best possible time ie when the economy is emerging from a downturn. It would also make sense to take maximum advantage of the current interest in and enthusiasm for TIF.

13. We look to Government to publish the key ingredients of its TIF proposals within the next few weeks, and at the same time initiate a process for setting up the first tranche of TIFs so that the necessary preparatory work could run in parallel with the passage of the enabling legislation (which we gather is likely to run from summer 2011 to spring 2012). Such a twin track approach would mean that when the legislation was enacted a range of “vanguard” schemes would be ready to go. If this is not done, then it could be 2014 or 2015 before we see the first English TIF emerge, hardly an indication of dynamic government, and a terrible waste of the work done by a number of councils with developments or schemes that could go ahead now.

14. A key advantage of TIF is that it is a highly flexible mechanism. In particular, it allows the upfront funding that is needed to be derived from a range of sources and the risk to be allocated in the most efficient and appropriate way. Such flexibility is essential to ensure that funding approaches can be tailored to meet the particular needs of different schemes. This is particularly the case as certain funding models might be more attractive than others according to the prevailing economic conditions. Under current economic conditions, for instance, issuing bonds into the capital markets for a new vehicle such as TIF might not be immediately attractive (unless perhaps some form of government guarantee is provided). However, that could change when economic conditions improve and TIF becomes a more established and investable proposition. It is also important to remember that the capital markets may offer an appropriate mechanism for refinancing TIF-backed borrowings initially raised from other sources (including the Public Works Loan Board). Any new TIF regime, consequently, should seek to provide the flexibility that will be needed to make TIF operate effectively over the longer term.

It is important, therefore, that provision is made to allow for the following funding models:

— Public sector funding: a local authority should be able to borrow the money needed to pay for the infrastructure from central government (probably the Public Works Loan Board), based on a business case and financial modelling to demonstrate the tax increment underpinning the authority’s ability to service and repay that borrowing. The project could be structured to put the risk of tax increment not materialising on the public sector or the developer, or to share it between them.
— Capital markets / bonds: the most common way of funding a TIF in the USA is by the issue of municipal bonds based on anticipated incremental tax revenue streams and benefiting from a tax exemption for interest paid to bondholders. The pricing of the bonds (and even the willingness of capital markets investors to buy them at all) will inevitably be a function of their risk profile. The greater the risk that interest or principal on the bonds may not be paid in full, the greater the likelihood that the market will impose a higher interest rate on the bonds, or that it will be willing to lend only a smaller sum or only for a longer period (so that annual debt service represents a smaller fraction of the anticipated tax increment that year). In any event, the UK does not have the large and varied municipal bond market of the United States, of which TIF bonds represent only a small proportion. Partly for that reason, and partly because UK TIF is a new concept, the costs of using a bond issue in the UK today are likely to be significantly higher than those arising from the other TIF financing models. The appetite of the capital markets for such bonds is likely to be limited in the short term unless they benefit from a public sector guarantee of some kind.

— Developer funded TIF schemes: the basic principle behind the concept of developer funded TIF schemes is that instead of a local authority borrowing to fund TIF eligible expenditure, that expenditure is effectively financed by the owner/developer of a TIF site using his own resources. The developer is then repaid out of tax increment when it arises. With this kind of structure, the local authority can entirely lay off both construction risk and the risk that the tax increment will fall short of expectations on the developer. A clear advantage of this approach is that developers understand how to assess development cost, estimate development value, manage development risk and secure development capital.

**Incentivising Development**

15. The Government has also announced various proposals designed to incentivise local authorities to take a more positive approach to development proposals.

16. We back the proposed New Homes Bonus scheme and also welcome the fact that the Government is moving towards allowing much greater local retention of business rate revenue. Breaking the link between local authorities and rating income has been deeply damaging, giving local authorities no financial reward for fostering beneficial development. Greater retention of rate income would provide a much stronger motivation for local authorities to back new development that generates economic activity and creates new jobs.

17. The promised introduction of a presumption in favour of sustainable development is another important element that will re-enforce the pro-growth agenda. However, there needs to be clarity about the status that this will have. It is essential that it is not hedged around with so many caveats as to be meaningless in practice.

18. We welcome government assurances that new Neighbourhood Plans are intended to be engines of growth, giving neighbourhoods the opportunity to increase but not to reduce the totality of development envisaged for particular neighbourhoods in the Local Plan. We have strongly argued the case for businesses and landowners to be able to take the lead in putting together Neighbourhood Plans in predominantly commercial districts and we are encouraged by strong indications that the Government is supportive of this view.

**Local Enterprise Partnerships**

19. The introduction of Local Enterprise Partnerships has been an unnecessarily rushed process. Insufficient thought was given to their role and resourcing. However, with most LEPs now in place, the key now is to see what they can achieve in practice. We would make the following points:

— Clearly, no one wants to see LEPs develop into mini-RDAs with bureaucracies to match. Instead the emphasis should be on greater sharing of skills and resources between local authorities (for instance in areas such as land assembly, decentralised energy, regeneration and conservation), possibly with each participating local authority taking a lead role in a specific area. However, LEPs are unlikely to function effectively without a small but high quality and highly motivated core secretariat.

— We understand that the Government wants to see them focusing more on delivery than on strategy. Their focus has got to be on combating barriers to growth including issues relating to planning, infrastructure provision, skills and business access to finance.

— LEPs have the opportunity to play a valuable role in delivering the strategic planning that will continue to be needed in areas such as infrastructure, housing supply and waste. Whether they are able to rise to this challenge will be an early test of their credibility.

**What Other Measures are Needed?**

20. Building on initiatives that the Government is putting in place we feel that the following measures could also make a big difference.
Reform procurement

21. The labyrinthine process of public procurement associated with major regeneration projects presents one of the greatest barriers to private sector involvement in such projects. Many of these projects are on the margin of viability at the best of times and even more so in current circumstances. There is a need to ease the path of potential investors rather than impose often absurdly over-engineered procurement requirements and ever increasing demands for greater information. As a priority, the Government should overhaul the procurement process with the avowed objectives of making it more proportionate and less wasteful.

Support innovative infrastructure funding solutions

22. There is a need for imaginative thinking about other ways of unlocking potentially viable schemes. Given the paucity of finance and funding within both the public and private sectors progress is likely to depend on the emergence of new types of joint ventures between the two sectors. TIF is one way forward but will only be suitable in the right circumstances. A major Government priority should be to explore the scope for new types of joint ventures which LEPs could play a part in taking forward. The BPF would be happy to offer assistance in this process.

Use Government resources more efficiently

23. There are numerous examples of public funding being pumped into areas over many years in an incoherent and uncoordinated way with little understanding of what additional benefits could be leveraged off each individual investment and no proper evaluation of the impact on economic growth or jobs. Our key messages here are:

— Don’t waste resources on schemes that have little prospect of viability. Focus resources instead on schemes which can make a difference. In many cases, this will involve bringing back competitive bidding approaches to encourage innovation and reward those with the best ideas whilst helping disadvantaged areas that may be less well equipped to put together successful bids. We note that competitive bidding will be a central feature of the Regional Growth Fund.

— Fully embrace the concept of Total Place/Total Capital that seeks to achieve a more joined up approach to all funding destined for a particular area, creating shared facilities where feasible. There has been a lot of rhetoric about this but the reality on the ground is often very different.

— Sort out some issues which are currently constraining the take-up Local Asset-backed vehicles. Including, in particular, fears about state aid.

Make better use of public sector powers and assets

24. Local authorities should be encouraged to use their role as enablers and their new general power of competence in order to facilitate and, where feasible, “de-risk” regeneration schemes.

For instance they might:

— seek to use their land assets more constructively than they have in the past to achieve longer term regeneration objectives;

— do more to expedite land assembly, an integral part of most regeneration schemes which often involves significant time, cost and associated risk; and

— along with other public bodies, use their role as of the largest occupiers of space in the country to promote regeneration.

Use planning to drive economic growth

Delivering economic growth requires an efficient and suitably resourced planning system. The current review of the planning system provides an opportunity to put more supportive structures in place. We would like to see:

— The creation of a National Planning Policy Framework that has the achievement of sustainable growth as its core objective and which reduces the volume of guidance to a more manageable level. As we have mentioned above, the introduction of a meaningful presumption in favour of sustainable development will be a crucial part of this framework.

— Full implementation of the Killian Pretty Review recommendations aimed at improving the planning application process. The Government has committed to doing this and we hope that it will carry through the necessary changes as soon as possible.

— An overhaul of the cumbersome and often over-the-top Environmental Impact Assessment procedures.

March 2011
Written evidence submitted by Igloo Regeneration

1.0 Igloo Regeneration

This paper is provided by igloo regeneration, the development manager of Aviva’s igloo regeneration fund (www.igloo.uk.net), described by the United Nations as the world’s first responsible real estate fund. Igloo’s expertise is in the funding and delivery of physical regeneration. Our experience is in urban, rather than rural, regeneration and our comments are made from this perspective.

2.0 Summary

— We welcome the new, more localist approach to regeneration because we believe local communities contain ‘locality experts’ without whom regeneration will be unsuccessful.

— In particular we welcome the attempt to provide incentives to work through the Universal Credit while recognising the challenge of making this fair and effective.

— The funding challenges for regeneration are substantial in current circumstances and we welcome the focus of the Regional Growth Fund (RGF) on ensuring that European Regional Development Fund (ERDF) monies are matched and we welcome Tax Increment Finance (TIF) in principle although we currently believe it is unlikely to be implemented to optimum effectiveness in terms of attracting private investment.

— However we believe that a number of the Government’s policies such as New Homes Bonus (NHB) and Community Infrastructure Levy (CIL) will exacerbate the problems of neighbourhood concentrated deprivation that regeneration seeks to address by diverting public and private resources to more prosperous areas.

— We recommend that more can be done to unlock both public and private land assets in regeneration areas, to effectively procure public benefit through physical regeneration and through Green Deal eco-retrofit and social enterprise.

— We believe that the Government’s paper includes a number of measures of only peripheral relevance to regeneration (HS2, Olympics etc) and fails to include a large number of very important areas such as the Joint European Support for Sustainable Investment in City Areas (JESSICA), regeneration skills and governance, use of publicly owned assets etc.

— In conclusion we note that the Government’s new approach is not meant to be a regeneration policy but we do believe one is needed that can be effective following the dismantling of the previous institutional and funding infrastructure.

— We welcome the select committee enquiry and hope that this leads to a wide and rational debate about how best to target scarce resources to achieve regeneration in deprived neighbourhoods.

3.0 Introduction

3.1 The Government paper entitled “Regeneration to enable growth: What Government is doing in support of community-led regeneration”, sets out a new approach to regeneration, “putting residents, local businesses, civil society organisations and civic leaders in the driving seat and providing them with local rewards and incentives to drive growth and improve the social and physical quality of their area”.

3.2 The CLG Select Committee Enquiry will be considering the following questions:

— How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

— In particular: Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on? Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

— What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

— What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

— How should the success of the Government’s approach be assessed in future?

3.3 It does not seem to us that the Government’s paper amounts to a regeneration policy. We are not sure that it is intended to. It simply signals an approach and provides some simple guidance to local communities. We hope it can be used to start a debate about the need for regeneration and how best we can prioritise scarce public and private resources to maximise its delivery and we welcome the select committee’s role in stimulating this debate.

3.4 We have therefore provided our reaction to the paper and also raised some of the issues we believe should be at the core of a debate about regeneration. We have then addressed the Committee’s questions.
4.0 Key Regeneration Issues

4.1 Our starting point for this commentary is to ask: “What is urban regeneration?” We subscribe to the widely accepted definition as a “process that reverses physical, economic and social decline in an area where market forces will not do this without intervention”. (HM Treasury July 2007)

4.2 We believe that urban regeneration is profoundly local. It is about neighbourhoods. At larger scales (sub regional and regional) it is called economic development.

4.3 We also believe that it requires two pre-conditions:
(1) Sub regional economic prosperity.
(2) Incentives to work.

4.4 Regeneration by definition requires the transfer of resources from more prosperous areas to neighbourhoods in need of regeneration. These areas, almost invariably, lack the market drivers or locally raised finance to undertake their own physical regeneration. While these areas may have the community capacity to make significant social and even employment progress themselves, this success will be short lived unless investment is made in the physical fabric of the neighbourhood because newly employed people will generally vote with their feet and choose other, better neighbourhoods in which to live and work.

4.5 Regeneration can be delivered using a number of different tools. Government has set out in its paper the approach it is taking and a number of the tools it believes are available. In this first section to this paper we set out some of the elements that we would expect to find in a regeneration policy in current circumstances.

4.6 There are a large number of potential tools that would assist a more locally led approach to more and better regeneration and just a few examples include:

Physical Regeneration/Developer Procurement/Public Land Disposal

There is going to be a significant programme of disposal of public land assets over the next few years.

Best practice in the disposal of public land assets for regeneration was not a subject reviewed by the Sustainable Procurement Task Force and guidance and statute (eg Office of Government Commerce or s123 of Local Government Act) is primarily focussed on maximising land value. However the European Land Sale Directive clearly allows state aid compliant land disposals to take account of public policy objectives and our experience is that many public policy objectives can be achieved in addition to best consideration by best practice developer procurement.

We have experienced this when two different Regional Development Agencies (RDAs) sought developers for two similar edge of city centre, canalside, brownfield sites. One procurement gave 50% of the marks for design and sustainability, the other 2%. In our view the first did not give up any land value as a result but did achieve a substantially better scheme design and therefore much better returns on the public investment.

Best, though currently rare, practice will engage the local community in the writing of a brief for the development and in the selection of the developer as well as in the development process itself. Bristol City Council are currently promoting this type of practice. Neighbourhood planning should assist this process.

The Government’s recent announcements on Build Now, Pay Later apply to physical regeneration and indeed have a long history here and again should become best practice.

The transfer of income producing public assets to community level organisations would provide the financial capacity these organisations need to effectively deliver neighbourhood level services.

Green Deal

The eco-retrofit of existing buildings through the Green Deal should become a very significant new industry. The challenge will be in using this job and wealth creation to benefit people in the most deprived neighbourhoods. It does not appear that this is currently a major consideration within either regeneration or Green Deal policy.

Localism Bill

The creation of neighbourhood fora for neighbourhood planning in urban areas is an opportunity to build community organisations with capacity to undertake more significant activities in neighbourhoods including, for example, employment creation through say taking over local parks maintenance (and perhaps developing local food growing) or promoting local eco retro fit programmes. The reallocation of the Planning Aid budget could help to support this wider capacity through being focussed on deprived neighbourhoods.

In particular the process of rationalisation of public assets could see local income producing assets being transferred to these neighbourhood fora to give them the resources that community led regeneration will require to be effective.
At the same time the Bill, or its secondary legislation and guidance, could assist communities seeking to take forward regeneration by allowing them to access compulsory purchase mechanisms through the local authority (to help unlock the large bank of land currently being held back from the market by cash poor developers and their banks). A more positive approach by Government to the Public Request to Order Disposal would similarly assist in unlocking under-used publicly owned land.

Social Enterprise

The growing social enterprise sector can play a significant role in creating employment and providing other community benefits in deprived neighbourhoods. There seems to be a case for providing some support to “not for dividend” businesses that deliver local benefits. In particular flexibility on local rate relief, particularly in the start up phase may be a very effective and low cost way to deliver local employment and other community benefit.

4.7 These are just a few examples of ways public policy could be creatively woven together to help deliver more effective urban regeneration at low or no extra cost to the public purse.

4.8 They are set out here simply to make the point that, in the current public funding environment, we need a very creative approach to policy making and we need this to be a wide debate that captures, disseminates and uses all the good ideas.

4.9 We believe that there is a role for Government here. Not necessarily to make, and certainly not to impose, policy but perhaps to facilitate, along with other interested parties, the generation and transmission of effective policies at local level and to work to remove any Government created barriers (eg land disposal rules and guidance).

5.0 INCENTIVES TO WORK AND SUB REGIONAL PROSPERITY

5.1 The Government’s paper rightly focuses on these two issues that in our view are key to successful regeneration. We welcome the Government’s intensive policy development on incentives to work while recognising the huge challenges this presents and therefore the risks to success.

5.2 The current sub-regional prosperity context is more problematic. Many of the recent policy changes have a tendency to prioritise resources towards areas of prosperity. The New Homes Bonus (NHB) is an example of this where the development of new homes (which requires financial viability not present, by definition, in regeneration areas) brings resources. If NHB is not to go to the prosperous areas where it is generated then there is the potential in some local authority areas of using it to deliver regeneration in deprived neighbourhoods. The same problem of giving more to those who already have also applies to the Community Infrastructure Levy which appears intended to be substantially allocated to the neighbourhoods in which it arises.

5.3 The same concerns are present in the localisation, such as it is (eg business rates), of public funding streams. A gain, by definition, neighbourhoods requiring regeneration do not have the public financial resources to generate their own regeneration. This can also be true at the level of the local authority although there are wealthy authorities that include deprived neighbourhoods, the tendency is that deprived neighbourhoods are concentrated geographically in deprived local authorities.

5.4 In this area we have long advocated TIF as a way of incentivising those involved in physical regeneration to achieve success. US style TIF brings in private finance to take the risk to stimulate regeneration. The current UK approach seems likely to place risk and borrowing on the public sector and may become overwhelmed by changes to business rates and also seems likely to focus on projects like shopping centres which may further undermine economic activity in deprived areas.

5.5 The impact of these various changes to the public funding system on deprived neighbourhoods is a significant threat to other regeneration investment.

6.0 RESPONDING TO “REGENERATION TO ENABLE GROWTH”

6.1 There are a number of areas in the Government’s paper where we would question their relevance for urban regeneration.

The Role of Plans

6.2 We query the relevance of some of the neighbourhood planning aspects of the Localism Bill to urban regeneration. Our current town planning system, and the one we will have once the Bill is enacted, is essentially restrictive rather than proactive. Where market demand exists, the system acts to try to mitigate market failures that bring social and economic costs. In urban regeneration areas where, by definition, market demand does not exist, the value of a planning control system is less relevant.

6.3 However plans can be an important galvaniser of investment and can be effective in areas where viability is marginal by increasing investor confidence sufficiently to marginally increase values sufficiently to promote investment which then becomes self sustaining as each new investment enhances values. Neighbourhoods in
this position tend to be the exception rather than the rule and are rarely the neighbourhoods whose communities are in most need of investment.

6.4 Plans can also be helpful in prioritising and co-ordinating public investment and this is an area where we think the Government’s policy could be stronger. Our experience of Regional (eg in the West Midlands) and Local Investment Plans has been generally positive. The process of making the plans often requires political choices to be made and sometimes even results in the best regeneration projects being prioritised.

Localism, Governance and Skills

6.5 We welcome the localist approach because we have long believed in the importance of “locality experts”. We wouldn’t build a building without an architect. Similarly we shouldn’t attempt to regenerate a neighbourhood without the input of the people who know that neighbourhood best, its residents.

6.6 We have experience of the power of this. Our Bermondsey Square project in south east London was delivered to a brief prepared by the local authority with the local community. As a result it attracted strong support through the planning process and subsequently and has delivered substantial benefits to the local community beyond that which would have been provided by a purely market driven development.

Bermondsey Square includes a community cinema and a community run gallery, an antiques and a farmers market, a community fund that all occupiers contribute to that makes small grants to local community organisations, a neighbourhood manager who works to strengthen the local community, local food growing, mixed tenure housing, local employment and many other aspects that contribute to the local community as well as providing the local authority with the highest cash receipt for its land.

6.7 Locality experts know much more about what their neighbourhoods require than national or regional regeneration agencies, property developers or even local authorities. However regeneration is complex and does require the application of specialist expertise. We were supporters of this public sector support expertise being held at regional level because this provided the least worst balance of local presence and concentration of expertise because few local authorities are able to recruit and retain skilled regeneration teams.

6.8 However our experience, continually reinforced, is that neighbourhood level dedicated regeneration teams are by far the most successful way of managing urban regeneration. In this respect the demise of urban regeneration companies and urban development corporations and the loss of these skills is unhelpful. These organisations were probably usually seeking to cover larger areas than would have been most effective and the city challenge model where a focussed professional team works with the local community in a neighbourhood to deliver regeneration was in our experience the most effective approach.

6.9 Although the Government’s paper doesn’t mention it, there was a fundamental flaw in the previous arrangements for public support for regeneration skills due to the split between the predominantly economic regeneration of RDAs and the predominantly housing approach of the Homes and Communities Agency (HCA).
with some sources of funding being retained by Government Offices. This governance structure was dysfunctional.

6.10 However we do not see Local Enterprise Partnerships as providing a focus for regeneration skills and we expect that the reduction in staff complement at HCA will lead to a dramatic reduction in the capacity of the public sector to provide support for neighbourhood regeneration. This could be coped with if the larger cities had a number of regeneration teams but in most cases the pressures on local government funding mean that this is very unlikely to be achieved.

Funding

6.11 The main limitation on regeneration over the next few years however will be the reduction in public spending. Spending dropped substantially when the RDAs were set up and predominantly funded from Department of Communities and Local Government (DCLG) budgets that had previously been used for regeneration but were then substantially diverted to regional economic development. This change however happened in a boom and in particular in a period of rising property values that meant that the requirement for public subsidy for physical regeneration and local infrastructure in regeneration areas was much reduced and was replaced by private investment. The current removal of RDA budgets (and their temporary replacement by a much reduced budget labelled Regional Growth Fund) is being implemented at a period of subdued economic growth and broadly stable property values that mean that there are very few deprived areas around the country where physical regeneration is viable.

6.12 However the proposed alignment with ERDF is welcome. The paper doesn’t mention JESSICA funding which we view as a very positive development in regeneration funding. In the current circumstances where there is an almost complete absence of both equity and debt for urban regeneration, JESSICA could help fill the gap (although it is not without its technical challenges) although it needs to be supported by public subsidy as gap funding in regeneration areas. However the major barrier to delivery of JESSICA funds seems to have been first the lack of recognition of its importance amongst public sector European funding professionals and politicians and subsequently the dislocation caused by the wind up of the RDAs.

6.13 The same is true of the reductions in the HCA budget although it is also true that the NAHP is not designed to deliver urban regeneration and the Government focus on housing numbers in recent years, even at the price of poor quality, has meant that HCA’s ability to deliver regeneration has been much reduced.

6.14 Tax Increment Funding is to be strongly welcomed in principle. It has been a source of huge frustration to us that it will have taken around 15 years since the power of this approach was first advocated in the UK (through the Urban Task Force interim report postcard from Chicago). However we are concerned that TIF will be used not for urban regeneration but for projects like large shopping centres that may even make things worse for deprived communities who see their local shops decline. We are also concerned that the main advantage of TIF, the economic incentive for private sector funders to achieve successful regeneration, is lost if TIF is funded through local authority ‘prudential borrowing’.

6.15 In relation to other investment, while HS2 may provide a boost for Birmingham Eastside and in future decades for similar areas in Manchester and Leeds, this impact is not going to be seen any time soon and, from a regeneration perspective, would not be seen as a value for money investment although its long term positive impact on subregional economic development is welcome. Similarly, Crossrail is not primarily a regeneration investment and from a regeneration perspective, like the Olympic budget, the money could have been better spent.

7.0 Select Committee Questions

In summary our response to the CLG Select Committee Enquiry questions is:

How effective is the Government's approach to regeneration likely to be?

The approach of combining sub regional prosperity with incentives to work and local leadership is, in principle, correct but it will not be effective, even in a small number of areas, without skilled regeneration teams and public investment.

What benefits is the new approach likely to bring?

Communities are “locality experts” and their close involvement and leadership will produce better regeneration.

In particular: Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on?

Momentum has already been lost in many key regeneration projects around the country (like Leeds Holbeck, Manchester Ancoats, Birmingham Eastside etc). The Government’s approach is not sufficient to resuscitate these projects.
Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

We recognise that public funds are extremely scarce and that many beneficial regeneration projects will not proceed in the short term. However we should be undertaking the preparation for them to restart now.

What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

We see the City Challenge approach, while not perfect, as the high point of regeneration practice in the UK. Community engagement, neighbourhood focus, skilled dedicated teams with substantial budgets are the key elements.

What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

An urgent focus on the roll out of JESSICA and private sector TIF supported by the available other public investment and the use of partial public sector guarantees is the most effective use of scarce resources.

How should the success of the Government’s approach be assessed in future?

Success should be assessed through the sustainability of neighbourhood regeneration and its ability to be rolled out to other areas as available public and private investment increases. Sustainable regeneration will happen where there are incentives to work in areas of sub regional economic prosperity and community leadership and engagement and where the investment in physical infrastructure is well-designed, environmentally sustainable and achieves social, health, happiness and well-being outcomes.

8.0 Conclusion

8.1 In summary we would like to see a rational discussion of how best to use the extremely limited resources to achieve high quality urban regeneration as a model for the future.

8.2 This discussion is important. We know from extensive experience that successful regeneration occurs when a dedicated and skilled team combines multiple funding sources at a neighbourhood level to achieve social, economic and environmental outcomes. If we fail to deliver one of these three legs the others are usually undermined. For example if the physical is neglected, people who get jobs will generally seek to move to ‘better’ areas. In our view, City Challenge represented the high water mark of regeneration practice in the UK. Our ambition should be to take that model and improve it. If we can only afford to do that in a very few neighbourhoods in the current funding climate so be it. We might choose the most deprived neighbourhoods or we might choose those that were easiest to turn around but we would be making progress and refining our model to maximise its effectiveness.

8.3 We would also be debating the fact that we have a different starting point today than when we developed City Challenge. In many places we are beyond the restructuring process that followed the collapse of inner urban manufacturing in the late 1970s. Deprivation has different drivers today and the economy provides different solutions.

8.4 We welcome the Select Committee’s rapid initiative to start this debate and hope the Government will lead and participate in it.

March 2011

Written evidence submitted by Urban Forum

Who We Are

Urban Forum is a national charity with over 850 members, predominately small local community groups concentrated in deprived areas. We are member led and committed to supporting local people to improve their communities. We sit on DCLG’s Voluntary and Community Sector Partnership Board.

Summary

— The government’s approach to regeneration lacks clarity and coherence and fails to articulate how regeneration will be funded.
— Equality and inclusion must be at the heart of regeneration of place and people. At present this is missing.
— Neighbourhood planning and local incentives could support community led regeneration, but need to be designed to work for deprived communities.
— Commitments to Open Government need to be matched with transparency and accountability among private sector and not for profit regeneration companies and service providers.
Local areas must be given greater control over local economies in order to reconnect capital with place.

The key lessons to be learnt from both physical regeneration and neighbourhood renewal regeneration initiatives are:
- people need to be at the centre of regeneration and top down intervention doesn’t work;
- residents are empowered to be active in their communities if they meaningfully involved in decision making and treated as equal partners;
- regeneration agencies need to be more transparent and open to public scrutiny and influence;
- directly funding grass roots activity leads to improvements in deprived neighbourhoods; and
- different regeneration initiatives need to be joined up.

How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

In particular: Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on? Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

1.1 It is unclear in “Regeneration to enable growth” what is meant by regeneration, and a commitment to regeneration as a means of tackling inequality is missing. With the current economic crisis and budgetary constraints, which impact disproportionately on the poorest areas, it is essential that regeneration strategy focuses activity on supporting community resilience and strengthening local economies.

1.2 Moves to introduce a Right to Data and commitments to Open Government to improve the transparency and accountability of public bodies must be applied to regeneration companies, and outsourced providers of public services from the private and not for profit sectors.

1.3 Proposals around neighbourhood planning and the introduction of mechanisms to strengthen community benefit from development are welcome. The planning system needs both greater transparency and democratisation. Evidence shows⁸⁴ that one of the main drivers of low feelings of influence is consultation that citizens do not believe in, where they feel that the outcome is already decided behind closed doors. Planning is an area of decision making that particularly provokes this response. It is essential therefore that neighbourhood planning is open and transparent, integrated with accountable structures of neighbourhood governance and local democratic processes.

1.4 Neighbourhood planning, in conjunction with initiatives such as community asset transfer, Participatory Budgeting and the proposed new Community Rights, could be used to involve citizens in a genuine discussion about meeting neighbourhood needs. The Community Infrastructure Levy (CIL) and the New Homes Bonus can be used to positively engage the public at a neighbourhood level, provided local communities are given meaningful control over their allocation.

1.5 The CIL and the New Housing Bonus have the potential to be far more open to public influence and scrutiny than the current system for planning decisions and funding via Section 106. Serious consideration should be given to broadening the remit of CIL to include community infrastructure and affordable housing. However, if these are to be mechanisms for regeneration, and tackling deprivation, their implementation in areas with weak local economies and housing markets, high levels of deprivation and low levels of civic engagement, must be properly considered.

1.6 Community-led planning, parish and neighbourhood councils are well established in rural areas, where communities tend to be smaller and less diverse, and in more affluent areas that are more likely to have the benefit of community members with professional knowledge and other resources. Neighbourhood planning in urban areas must be properly resourced and supported, with support targeted at areas and groups of high deprivation and social exclusion. Without targeted support the opportunities created through planning reform and Community Rights will not be taken up equitably and inequality will be exacerbated as a result.

1.7 Whilst the New Homes Bonus has potential as a mechanism to incentivise local authorities and communities to support house building, it is not “new money”, and must be assessed within the context of a 60% cut in housing capital.⁸⁵ This calls into question the financial viability of affordable housing, even with community support. Cuts in front line services also offset the potential local benefits to agreeing to new housing and a growing population. The New Housing Bonus currently rewards areas with more homes in higher council tax brackets, penalising poorer areas where homes are in the lowest council tax band. If regeneration is to turn areas around, prevent further decline, and reducing inequality, the distribution of funding for development needs to be targeted at areas most in need.

1.8 Developing community-led regeneration requires conscious public policy and leadership. Without redesigning the fundamentals we will continue to undermine the efforts of civil society, local authorities, the private sector and communities to deliver local benefit and improved outcomes. Simply leaving regeneration

to market forces, particularly in areas where the market has manifestly not delivered, even through boom years, or has delivered the wrong things (such as the widely acknowledged oversupply of high end flats in northern city centres, like Manchester and Leeds), is not an answer problems of decline and deprivation. It is essential that new ideas are brought forward that move us towards a genuinely new community-led approach to regeneration.

1.9 As with public service reform, there is a tension in planning reform between centralising and devolving tendencies. There are welcome new opportunities for communities to be proactive in plan making—developing neighbourhood plans and influencing Local Development Frameworks. However, the presumption in favour of sustainable development removes some of the checks and balances, and opportunities for communities to influence decisions beyond the planning making stage.

1.10 There is also a wealth of evidence that communities value the services and community identity provided by small retailers, and the disappearance of independent retailers from our high streets is a concern for many sections of the community, as well as a loss to local economies, essential to sustainable regeneration. Giving more power to communities to shape plans, along with new powers for local authorities to support local business, could allow them to create a more level playing field for local businesses to compete in. Enabling this needs to be a feature of the Government’s approach to regeneration.

1.11 The Government paper “Regeneration to enable growth: What Government is doing to support community-led regeneration” fails to provide a clear strategy for achieving this. Nonetheless, it rightly stresses the importance of accountability and community action as central components of renewal. If regeneration is to be sustainable in the long-term, it must be more about existing communities, how they feel about where they live, their confidence and unlocking latent capacity, than simply bricks and mortar.

What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

2.1 The UK, through successive Governments, has invested billions of pounds in regeneration from Priority Estates Programme and City Challenge in the 1980s and early 1990s, through to New Deal for Communities and Community Empowerment Networks as part of the Neighbourhood Renewal Programme from the late 1990s and early 2000s, the Housing Market Renewal Programme (HMRP) from 2002 and major urban development projects such as the Thames Gateway and the Olympic Legacy in the 2000s. While these have resulted in some improvements in some areas, overall they have not been successful in providing enough affordable homes, stimulating significant growth of enterprise and employment, reducing inequality between communities and geographical areas, or in working in partnership with residents to improve areas and increase social capital. There are important lessons to be learnt about why such substantial investment has delivered only modest outcomes. It is essential to join up the different strands of regeneration and neighbourhood activity and breaking down the silos that undermine holistic community regeneration efforts. All aspects of regeneration need to be clear about their objectives and have community resilience and reducing inequality at their core. Organisations leading physical regeneration, including Local Enterprise Partnerships, Development Agencies and regeneration vehicles must have clear lines of accountability, and be genuinely capable of listening and responding to communities.

2.2 Previous regeneration initiatives have suffered from a lack of clear objectives from the outset, focusing on the wrong objective or having the goalsposts moved midway through the programme. In particular the Housing Market Renewal Programme (HMRP) focused almost exclusively on the objective of increasing house prices. Local authorities sought to improve the local “housing offer” to attract middle class professionals into inner city areas, which often resulted in the poorest and most disadvantaged sections of the community being pushed out of areas as they became unaffordable. Large swathes of terraced housing were earmarked for demolition, uprooting and permanently dispersing whole communities, and resulting in a net loss of affordable housing in those areas. The lines of public accountability and responsiveness to community influence were not apparent with the HMRP boards, further fuelling community opposition and anger. Furthermore, as house prices rose (as part of the UK trend) it became clear that whilst housing market collapse was a feature of decline in many areas, reversing this did not on its own address the deep-rooted causes of weak economies, worklessness or poverty.

2.3 The current (and previous) Government’s strategy clearly locates community action as part and parcel of area regeneration, which is positive. The Community Empowerment Programme was a major component of the previous government’s neighbourhood renewal strategy and provides some important lessons for the future. One overarching lesson is that all activity to regenerate neighbourhoods must be properly integrated so that citizens benefit from it, and have a genuine say over how the area where they live is regenerated. The ambitious intention of the programme to narrow the gap between the poorest neighbourhoods and the rest of the country was welcomed, as was the acknowledgement this would take a generation to achieve. The Community Empowerment Programme achieved some successes in improving neighbourhoods and involving citizens, and there has been significant progression in ambition and thinking from involvement, to participation, to
empowerment and now in ideas around ownership and control. It also resulted in developing and mainstreaming some innovative methods of building community power—such as Participatory Budgeting. However in most instances the progression in ideas towards more meaningful involvement has rarely lived up to stated ambitions in relation to empowering communities, leaving people disillusioned by this "implementation gap".

2.4 During this period, physical regeneration schemes had consistently poor performance on public engagement overall. In the HM R P programme the speed at which intervention was planned provided little opportunity for residents to actually have a say before decisions were made. Existing communities were often presented as obstacles to be cleared away, rather than as equal partners in regeneration. The National Audit Office report on the HM R P in 2007\(^90\) raised serious doubts about the levels of engagement with local communities, and concerns about the top down nature of the housing market approach to regeneration (in contrast to other regeneration initiatives) which is viewed as both hampering meaningful engagement and created community stress. It made a number of recommendations for changing how the programme operated to improve community involvement, which included basing decisions on intervention on the views of residents, and making decision making more transparent.

2.5 While taking place in roughly the same time period, in the same areas, and should have had the same goals, physical regeneration schemes and the Community Empowerment Programme appear as almost entirely unconnected. The limited impact of the Neighbourhood Renewal Strategy, despite substantial public funding can, in part, be felt by the lack of co-ordination and connection between different initiatives.

2.6 Two distinct features of the Community Empowerment Programme are that it provided direct funding of social action by small community groups through Community Chest funds, and that it resourced and supported community voice through the involvement of Community Empowerment Networks in Local Strategic Partnerships and through resident directors in the New Deal for Communities partnerships. Independent reviews of the Community Empowerment Programme highlighted both of these as significant success factors\(^91\). The NAO evaluation report found that in the first three years, the programme had funded 25,000 small-scale projects, the vast majority of which could be shown to have contributed to improving neighbourhoods (for example reducing crime or improving school results) in ways that, while not always measurable, were clearly felt by local people\(^92\). It highlighted the contribution to this achievement of delegating administration of the programme directly to the community sector, rather than via local authorities.

2.7 The NAO report, and other reviews\(^93\), also highlighted the tensions between the role of elected councillors and community representatives from Community Empowerment Partnerships. Too often both groups jostled to establish the legitimacy of their position to speak for the community, rather than focussing on reflecting community interest. This tension between representative and participative democracy was never resolved and was further compounded by reference in statutory guidance to the LSP as a "partnership of equals"\(^94\).

2.8 With local government becoming increasingly frustrated with bureaucratic burden of over a thousand mandatory national targets, the Government adopted a new focus on local authorities as local leaders and "place shapers". The welcome result of this was a reduction of centralised targets and the adoption of locally determined Local Area Agreements. However an unwelcome result of this was the abandonment of the broader neighbourhood renewal strategy and the absorption of the community empowerment programme into local authority-controlled area based grant-funding. As a result the Community Empowerment Programme was gradually wound down; small grants activity ceased to exist, Community Empowerment Networks either ceased to operate or were sharply curtailed in their grass roots activity\(^95\).

2.9 The experience of the Community Empowerment Programme demonstrates the value of linking grass roots activity with strategic decision making to support community-led regeneration. The programme's success was based on channelling resources directly to grass roots activity, and a focus on building the capacity of the most disadvantaged communities to play an active role in regenerating their communities.

2.10 From the mid 1990's until 2008 physical regeneration activity has principally been developer-led, predicated on a buoyant housing market and rising land value, capable of yielding sufficient profits out of which community and capital infrastructure and affordable homes can be funded—either through the private sector, or through borrowing by Housing Associations based on a return from rising values. Major questions remain over how successful this market and developer-led model was in meeting community needs. In any case, this is no longer the situation that we face, and this funding model is no longer feasible in the current context or foreseeable future. The plans to devolve aspects of planning and development control to a neighbourhood level are welcome, but current government policies reveal a striking absence of a specific approach or a coherent narrative for regeneration in this new context.

2.11 One of the features of recent regeneration schemes has been a reliance on strengthened powers for compulsory purchasing of land and property. The Planning and Compulsory Purchase Act 2004 was introduced

\(^90\) Ibid.


\(^93\) Ibid.


\(^95\) Community Empowerment Networks research, Urban Forum April 2006.
to make it quicker and easier for authorities to assemble land for regeneration\textsuperscript{96}, providing powers for planning authorities that were subsequently extended to the HCA in the Housing and Regeneration Act 2008. The Localism Bill currently proposes to extend these powers further to directly elected mayors. This is an area where power has been centralised and rather than extending these powers, consideration ought to be given to how the Localism Bill can provide stronger checks and balances are put in place for local communities and individual residents.

What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

3.1 There are tensions inherent between current localist ambitions on the one hand and the continuation and extension of policies to allow free reign to market forces. By its nature, the market brings with it winners and losers, resulting in poverty and deprivation for some areas as well as wealth and prosperity to others. It is precisely because of this that we need regeneration activity to supplement or shape market activity.

3.2 As it is presently configured, relying on the market also has centralist consequences, with increasing concentrations of power, influence and activity in ever larger global institutions. The implications of this oligarchic trend is at odds with the principles of localism, which value locally determined decisions and control. While the market has an important role to play in delivering choice and price pressures, it also has limits and adverse consequences for deprived communities.

3.3 One area where we see this tension in the regeneration strategy is around public services. In spite of an apparently strong economy in the decade up to 2008 the private sector provided little in the way of job creation. This was particularly marked in the 100 weakest local economies (outside of London) where the public sector accounted for 90% of employment growth 1999–2008\textsuperscript{97}. The government’s economic policy (from which presumably regeneration flows, though this is ambiguous) relies on stimulating growth in the private sector through public service reform.

3.4 The government’s belief that the private sector will fill the gap left by the withdrawal of the state and provide an improved quality of public services is, at best, unproven. Recent evaluation of Private Finance Initiatives by the National Audit Office\textsuperscript{98} concluded that “There has not been a systematic value for money evaluation of operational PFIs... to demonstrate whether the use of private finance has led to better or worse value for money than other forms of procurement”. Independent evaluation of PFIs, with a combined capital value of £52.9 billion, is essential in order to inform the government’s approach to regeneration.

3.5 For public service reform to support economic regeneration we need mechanisms to keep profit and the supply chain local—supporting local voluntary and community groups, and local SMEs, with a long term interest and commitment to their local area. The introduction of The Public Services (Social Enterprise And Social Value) Private Members Bill\textsuperscript{99}, sponsored by Chris White MP, requires greater consideration of economic, social or environmental wellbeing in commissioning, and would be a step forward.

3.6 The contradiction in access to capital and the rising cost of credit since the credit crisis (which the NAO estimate between 20%-33% for PFIs) pose impediments to community regeneration. The consolidation within the financial services sector over recent years, with banks becoming ever larger global institutions, has resulted in a disconnection between capital and place that inhibits regeneration. Urgent action needs to be taken to stimulate new entrants and greater competition to the financial services sector, with a particular emphasis on local provision.

3.7 Wealth retention and creation, poverty and income inequality, asset building and resilience are central to the challenges that local areas face and intrinsically linked to the ambitions of localism. In many instances, particularly in deprived communities, these are stubborn, complex and deep-rooted issues that have not been successfully addressed despite waves of regeneration programmes. A more localised banking system could provide a way to connect surplus capital with productive purpose within the community (for the mutual benefit of investors and borrowers).

3.8 Regional stock exchanges, is another way to develop the economy that would support regeneration, and were a feature of the UK economy until relatively recently\textsuperscript{100}.

3.9 There is potential to grow the currently small and immature community banking sector, which successfully link capital and place, despite the current centralised economic architecture. Credit Unions and CDFIs account for a tiny proportion of the financial services sector as a whole. In 2007 the value of the CDFI sector was less than 10% of Royal Bank of Scotland’s profits in the same year\textsuperscript{101}. One of the most effective ways to stimulate the growth of local community-based finance provision—would be to introduce


\textsuperscript{97} Tackling worklessness in Britain’s weaker local economies, CREST, Sheffield Hallam, November 2010.

\textsuperscript{98} Lessons from PFI and other projects, NAO, Apr 2011.

\textsuperscript{99} http://services.parliament.uk/bills/2010–11/feedback/feedbacksocialenterpriseandsocialvalue.html

\textsuperscript{100} Regional Stock Exchanges were in existence in the UK up until 1973, when they were absorbed into the London Stock Exchange. At their height, in 1914, there were 22 stock exchanges across the UK in places such as Bristol, Halifax and Cardiff.

legislation along the lines of the US Community Reinvestment Act (CRA). The US experience suggests banks, wanting to benefit from the incentives provided to improve their performance in serving deprived communities found it more efficient to support community based finance organisations than to serve these communities directly. So, rather than have the expense of setting up a branch in a community, they put their money into local provision. This approach could easily be adapted to the UK—taking account of the very different context, but retaining the underlying principles.

3.10 Both local financial institutions and local businesses offer considerable benefit to local economies—as the well evidenced LM³ methodology\textsuperscript{102} has shown. They recycle a significantly higher proportion of capital and retain more wealth within an area than national or multi-national institutions. Banks, with their very specific role as brokers of capital, have an even greater significance on local economies and it is crucial that we create the necessary regulatory framework and infrastructure for this to flourish.

3.11 Allowing councils to retain locally raised business rates is a good idea. And more Councils and other public bodies need to use their existing powers to raise revenue, and use intelligent commissioning and procurement practices to stimulate local economies. However until local areas are given greater powers over general taxation, in particular Income Tax, it will be difficult for differing local needs and capacity to be adequately reflected in practice. By giving local areas greater control over revenue raising and taxation, they will be far better equipped to reflect differing local needs. With this power local areas would be able to use tax incentives more effectively to stimulate enterprise and regenerate deprived areas and reward local economic value.

3.12 Other ideas to support economic regeneration that might be woven into our economic architecture include; Local Enterprise Funds and Bonds and competition laws that favour local economies. The introduction of a locally determined (and collected) Land Value Tax, linked to greater devolution of decisions on land use, to replace Council Tax and Business Rates, like that proposed by the Green Party\textsuperscript{103}, would also benefit local economies and better reflect their differences. This would have the added advantage of creating a deterrent against speculative development and land-banking, which stifles sustainable regeneration.

3.13 If we are to respond to global financial crises, and regenerate areas that were declining even before the economic crisis then we need a system that encourages, rather than hinders, this type of provision. This means not simply introducing programmes or policies for local, but some radical changes to the way our economy is organised.

How should the success of the Government’s approach be assessed in future?

4.1 More than ever, we need a locally based approach to regeneration, which builds community resilience to withstand the challenges posed by the economy, social change and environmental demands. This approach needs to respect existing residents, valuing what is there, building on existing assets of both people and place.

4.2 There can be no regeneration of place that doesn’t involve and focus on the communities who live there. Regeneration is about economies, jobs and housing. It is also about people—building confidence and capacity as well as improving opportunities and quality of life. Fundamentally it is about reducing inequality by turning around areas in decline to improve the life chances of those who live there.

4.3 The success of the Government’s approach to regeneration needs to be based on a joined-up assessment of all these areas.

May 2011

Written evidence submitted by National Association for Voluntary and Community Action

BACKGROUND

NAVCA is the national voice of local support and development organisations in England. We champion and strengthen voluntary and community action by supporting our members in their work with over 160,000 local charities and community groups. NAVCA believes that voluntary and community action is vital for vibrant and caring communities.

We provide our members with networking opportunities, specialist advice, support, policy information and training. NAVCA is a vital bridge between local groups and national government.

Our specialist teams take a lead on the issues that matter most to local support and development organisations. We influence national and local government policy to strengthen local voluntary and community action.

\textsuperscript{102} For example research by new economics foundation in Northumberland found that every £1 spent locally was worth 400% more than £1 spent outside the area. (see http://www.neweconomics.org/press-releases/buying-local-worth-400-cent-more).

\textsuperscript{103} See: http://policy.greenparty.org.uk/l
NA VCA believes that Government should continue to invest in the three components of regeneration, social, economic and physical, and seek to maintain the right balance between them. We were concerned at the absence of a specific mention of regeneration in the Coalition Programme and welcome the inquiry as an indication of a continuing commitment to this vital area of activity.

The Consultation Document is exceptionally brief, lacks vision and is weak on structure and content. It is not sufficient to rely on the Local Growth White Paper to provide strategic framework, as that document is concerned primarily with economic development. Nor does the categorising and repackaging of policies and programmes which have survived the 2010 Spending Review provide reassurance that a coherent strategy for supporting regeneration is likely to emerge. We acknowledge that the Select Committee faces a daunting task in addressing these deficiencies and attempting to arrive at a new approach to regeneration. NA VCA pledges its continuing support, both in advising Government on how this might be achieved and in assisting voluntary and community organisations (VCOs) to engage fully in the delivery of regeneration programmes and activities.

Our main recommendations are:

— A strategic framework is required for the new approach to regeneration. It is not sufficient or acceptable either to repackage existing schemes with new labels or to rely on the Local Growth White Paper to provide this.

— VCOs have traditionally been the pioneers in many aspects of public policy, including regeneration. The new approach to regeneration should not confine VCOs to the role of delivery agents; it should also provide them with an opportunity to continue to innovate in tackling deprivation and disadvantage.

— The Select Committee is urged to recommend that the third sector, including VCOs, is given equal status alongside the public and private sectors in a new approach to regeneration.

— The new approach to regeneration should not imply wholesale abandonment of past policies and programmes simply because they have come to be identified with the previous Government. Effective mechanisms for knowledge transfer should be put in place to preserve the intellectual capital of agencies which are being merged or abolished.

— We are concerned that government funding for regeneration has been artificially inflated in the consultation document and suspect an element of double counting. We urge the Select Committee to probe the Government’s proposals thoroughly to establish whether this is the case, if there is an element we hope the Committee will call the Government to account.

— Funding for VCOs is a financially efficient means of achieving social regeneration, producing significant financial multipliers when resources are invested locally.

— A fire-sale of RDA assets before enactment of the Localism Bill would prevent communities from identifying assets of community value and exercising their right to bid for them. A moratorium is required on the disposal of these assets so that their value as assets to the local community can be fully assessed.

— A review of previous regeneration initiatives shows that Government does not always have a monopoly on the best ideas—there is much to be gained from harnessing the ingenuity and commitment of communities.

— Proposals to return a proportion of the planning gain recovered through the Community Infrastructure Levy to neighbourhoods require clarification. At least 25% should be earmarked for community use and communities should have control over how the proceeds are used.

— The pressures on local authorities resulting from the Spending Review have threatened councils’ financial support for voluntary organisations. The Committee should emphasise to Government the importance of voluntary organisations and community groups to regeneration and ask them to protect public funding of VCOs at local level.

— Social value should be taken into account in the appraisal and evaluation of regeneration initiatives.

— Government must recognise that for neighbourhoods to improve there must be investment in the people who live there and not just in economic development projects or physical assets.

How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring?

We are concerned at the apparent absence of a strategic approach to regeneration. We would urge the Select Committee to recommend a strategic framework for a new approach to regeneration, comprising:

— A vision for regeneration which balances the social, economic and physical aspects.

— Aims which highlight the different needs of urban and rural communities, promote equality and diversity, address regional imbalances, and consider the relative merits of national, thematic and area-based approaches to regeneration.

We would draw the Committee's attention to some of the cross cutting themes we have identified as relevant to neighbourhood planning, the right to challenge and the right to buy. Without repeating the specifics of our response, we have indicated qualified support for proposals in the Localism Bill and submitting memoranda to the Bill Committee and responding to CLG Consultations. We believe that such work in disadvantaged communities leads to better economic outcomes not only for the beneficiaries but also for society as a whole.

We have responded positively to the Localism Bill, founding the Real Power for Communities Campaign105 and submitting memoranda to the Bill Committee and responding to CLG Consultations. We believe that Localism ought to be an opportunity for real empowerment local communities, putting them in control of regeneration at neighbourhood level. We have indicated qualified support for proposals in the Localism Bill for neighbourhood planning, the right to challenge and the right to buy. Without repeating the specifics of our evidence, we would draw the Committee’s attention to some of the cross cutting themes we have identified as relevant to successful regeneration. In our view, future policies and programmes should aim to:

- Reduce inequality and safeguard the rights of minorities. The widening of public service provision should be a fundamental protection contained in the Human Rights Act (HRA) 1998, the new Public Sector Equality Duty (PSED) under the Equality Act 2010.
- Balance social, economic and physical aspects. We are campaigning to ensure disadvantaged communities can have real access to new rights, powers and programmes—not just the powerful and affluent.
- Promote community empowerment, strengthen local democracy and harmonise representative democracy with participative democracy. VCOs are an important channel for delivering participative democracy at local level.

Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on?

The new approach to regeneration should not imply wholesale abandonment of past policies and programmes simply because the have come to be identified with the previous Government. It is essential that effective mechanisms for knowledge transfer are put in place so that the intellectual capital of those agencies which are being abolished can be captured, codified and made accessible to regeneration practitioners and communities in future. The speed with which Regional Development Agencies, Urban Regeneration Companies and local special purpose vehicles have been dismantled has left little time for knowledge transfer to be accomplished but with immediate action it may be possible to salvage some essentials. There would be immediate benefits. For example, the task of Local Enterprise Partnerships in producing local economic strategies could be simplified if the evidence base of previous strategies is recovered; and the chances of success of future regeneration projects will be improved if their promoters have access to a database of previous project evaluations. Government should make a distinction between breaking with the past and learning from the past.

NAVCA members have devoted time and ingenuity to negotiating and agreeing Compacts, Neighbourhood Charters and Commissioning Codes with local authorities and have been partners in LSPs producing Community Strategies for local areas. It is essential that these important documents are preserved as the new approach to regeneration takes shape.

The Select Committee should recognise that community confidence in Government-funded regeneration has been damaged by the rapidity with which the 2010 Spending Review has been implemented. In some Housing Market Renewal Areas, homes acquired for refurbishment or redevelopment now stand unoccupied (an irony given the programme was intended to tackle estate abandonment) whilst the loss of substantial HCA funding for PFI-led regeneration has disillusioned those living in the communities affected (including the Aylesbury Estate in Southwark featured on CLG’s webpage for the present Regeneration Enquiry!).

Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localised projects?

The question of whether sufficient public funding will be provided for regeneration is one for the Coalition Government to decide, but on the evidence provided in the Consultation Document, we are concerned that this...
will not be the case. Certainly, big figures appear under the heading of “Targeted Investment” in the consultation document, but the purposes cited are mostly for large scale infrastructure projects, some of which are not primarily or even substantially about regeneration. There is certain to be a large measure of double counting as the same figures are re-quoted in other Government policy documents. We urge the Committee to probe the Government on this and to condemn any attempt to artificially inflate its apparent funding for regeneration.

In the past we have expressed concern about the transition from the Single Regeneration Budget programme to the Single Pot, in particular that whilst overall levels of funding had been protected, the latter was not as effective in channelling funds to local communities. Then as now, efficiency and effectiveness of targeting funding are also important.

Our call for a balanced approach to regeneration does not necessarily imply equal funding for social, economic and physical aspects. Physical regeneration is, by its nature, more capital intensive and current priorities, largely in response to recession, focus on economic development and growth. But we urge the Select Committee to recognise the importance of social regeneration and the financial efficiency of funding the VCOs working at neighbourhood level:

"The positive case for investment in communities is that it will boost social capital, enhance collective efficacy and support the mobilisation and use of a wide range of local resources. In this way many local grants for community activity result in a multiplier effect of 11:1, with £2,000 resulting in a further £22,000 of support in-kind and in-cash." 106

In the context of the proposed Right to Buy in the Localism Bill, we urge the Select Committee to consider the future of public sector assets alongside direct funding of regeneration. The HCA has recently been charged with managing the disposal of RDA assets, in doing so balancing the need to promote regeneration with obtaining the best return for the public purse. It is vital that disposals are not allowed to proceed before communities have the opportunity, to be provided in the Localism Bill, to nominate some of these assets as being of community value and of bidding to acquire them. A “fire sale” at this stage will result in community divestment. The action of the Commission for New Towns following the wind-up of the Development Corporations provides ample evidence of the dangers of asset-stripping and the losses communities can sustain in such circumstances. 107

What lessons should be learnt from past and existing regeneration projects to apply to the Government’s new approach?

The experience of NAVCA and its members of past regeneration initiatives stretch back to the early 1970s—clearly a review of the strengths and weaknesses of all of them is beyond the scope of the Select Committee’s inquiry. We have therefore selected 10 initiatives and 20 lessons (10 positive and 10 negative) that might inform the Committee’s deliberations:

1970s Community Development Projects
+ Action Research engaged communities in pioneering new approaches to dealing with social disadvantage
− Concluded that causes of urban deprivation lay in structural economic decline largely beyond the scope of area based intervention

1970s Inner City Partnerships
+ Brought central and local government together in addressing urban decline, backed with substantial additional funding
− Central government funding applied to mainstream local authority capital projects (no additivity) and community not directly involved in the partnership

1980s Comprehensive Community Programmes
+ Pioneered a co-ordinated, multi-agency approach to tackling deprivation, later adopted by Local Area Agreements and Multi-Area Agreements
− Overly academic in analysis, complicated systems of delivery and weak community engagement

1980s British Coal Enterprise
+ Delivered managed workspace and advance factory units in coal closure areas, many of sites of former collieries and assistance to former miners to launch new business enterprises
− Did little to address the social fragmentation that resulted following colliery closures or to mend the rifts in communities following the mining industry dispute.

1980s Urban Development Corporations (First Generation)
+ Substantial funding, planning powers and can-do approach cut through red tape and kick started physical regeneration
− Community side-lined or ignored with the result that mistakes were made with long-term adverse consequences

90s–00s Single Regeneration Budget 1–6
+ Later phases particularly effective in engaging local authorities with VCOs at neighbourhood level and funding community led projects

107 See, for Example, Evidence Submitted to the CLG Select Committee on New Towns
Despite efforts to secure a legacy, many initiatives started under SRB collapsed following withdrawal of funding.

2000s **Neighbourhood Renewal Funds**
- In conjunction with LSPs, supported community based projects with a direct impact on areas of deprivation, helping to create a feeling of belonging and tackling the causes rather than the symptoms of deprivation.
- Diversion of some of the funds intended for communities to maintain local authority mainstream services.

2000s **New Deal for Communities**
- Concentrated funding on small areas with the aim of reducing the gaps between the most deprived neighbourhoods and the rest of the country. Communities given a large degree of control the administration of programmes.
- Poor support structure and insufficient effort put into capacity building, with the consequence that some schemes failed spectacularly.

2000s **Urban Regeneration Companies**
- Drew together public, private and voluntary sectors in commissioning and agreeing a regeneration strategy and undertaking mainly physical regeneration projects with an emphasis on public realm improvements.
- Lacked sufficient consensus to attract funding for more ambitious schemes and wound up with no regard for preserving a legacy.

90s–10s **Regional Development Agencies**
- Produced coherent economic development strategies for the regions and provided funding for regeneration programmes at sub-regional level.
- Poor on delivery, consequently struggled to gain public acceptance and were perhaps wrongly, associated by the Coalition Government with failed attempts to establish regional government.

It is, of course, possible to look even further back for examples of what might now be classified as regeneration— for example the model towns of Owen in New Lanark and Cadbury at Bourneville, the achievements of the Rochdale Pioneers in establishing retail co-operatives and Howard’s Garden Cities in Hertfordshire. These prove that Government does not always have all the answers— there is much to be gained from harnessing the ingenuity and commitment of communities and the entrepreneurialism and corporate social responsibility of the private sector.

Nevertheless, it is essential to learn from experience, particularly at a time of limited resources, and we believe that current policy must draw upon the lessons of past regeneration programmes if it is to avoid the mistakes of the past.

What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

NA VCA takes issue with the way in which this question has been framed; first, because it focuses on money, ignoring the other two economic factors, property and labour; and secondly because it overlooks the vital contribution of the VCOs and the wider third sector to regeneration.

Previous work by NA VCA members, the Asset Transfer Unit, the DTA (now Locality) and others have demonstrated how transfer of public sector assets into community ownership can drive regeneration at neighbourhood level. Provisions in the Localism Bill will take this a step further by encouraging communities to identify and bid to acquire assets of community value. Of course, money will also be needed, not only to finance asset purchase but also endowment funding to underwrite long term maintenance costs or certain assets.

We support proposals to change the Community Infrastructure Levy, whereby a proportion of the planning gain from the development of land will be returned to the communities affected. This ought to ensure that redevelopment schemes in urban areas integrate with the surrounding neighbourhood and contribute to the improvement of community facilities. But this will only be fully effective if a reasonable proportion of the levy (at least 25%) is earmarked for neighbourhoods and the community has control over how it is used. Otherwise, there is a risk that it will disappear into Council balances. We urge the Committee to seek early clarification from Government on these matters.

Human resources are essential to successful regeneration. The area based regeneration schemes of the past have depended on engaging members of the community and harnessing the efforts of VCOs at neighbourhood level. We have already referred to the large economic multipliers produced by investment in VCOs. The pressures on local authorities resulting from the Spending Review have threatened local authority financial support for voluntary organisations. NA VCA is concerned about the situation and fears that VCOs may be forced to accept a disproportionate reduction in support for their activities. The Select Committee should emphasise to Government the importance of the voluntary and community sector to regeneration and ask them to protect public funding of VCOs at local level.

Finally, the Committee is urged to recommend that civil society, including VCOs, is given equal status alongside the public and private sectors in a new approach to regeneration. In addition to unlocking human capital at neighbourhood level, it provides knowledge of conditions at neighbourhood level and draws in
finance in the form of charitable donations to support activities. NAVCA is concerned that VCOs have already been side-lined or overlooked completely in some of the new initiatives under the regeneration umbrella. Many LEPs either excluded VCOs or provided only token involvement- a clear indication that their promoters (largely local authorities) may regard them as irrelevant to local economic regeneration.

How should the success of the Government’s approach be assessed in future?

There is an established procedure for appraisal and evaluation of Government policies and programmes, as set out in the Green and Magenta Books\(^{108}\) and other Government guidance and evaluation frameworks. Continued use of these frameworks has the benefit of allowing comparison between future approaches to regeneration with evaluations of those undertaken in the past.

NAVCA has supported proposals for social value to be taken into account in project appraisal and evaluation as well as tender assessment for public service commissioning. We have argued that value for money, a key component in assessing success of Government interventions, should include social value, expressed as the wider benefits to communities and individuals of a particular approach. A 2009 Cabinet Office paper expressed this well:

> "Put more simply, there are three elements to value for money as defined by Treasury:
> 1. Quality and suitability the service for the individual;
> 2. Long term implications or whole life costs;
> 3. Wider outcomes for society and the state.
>
> Value for money is concerned not just with unit costs but with what has been called the full value or public benefit that a provider brings to delivering a service”, \(^{109}\)

Crucial to this is the extent to which Governments invests in people and not simply in economic development projects or physical assets, vital though they are. This entails support for social projects that develop self confidence; introduce people to basic skills such as literacy, education and first step training programmes; work with young people, ex-offenders, lone parents and those who have never had paid employment to give them hope, choices, opportunities and skills. Such work in disadvantaged communities leads to better economic outcomes not only for the beneficiaries but also for society as a whole.

In conclusion, we hope that the Committee will acknowledge the essential part that the voluntary and community sector plays in successful regeneration. Working in partnership with the public and private sectors we can:

— Enhance community engagement and capacity;
— Leverage social value;
— Build social capital and collective efficacy;
— Identify and make use of local assets;
— Ensure institutions are more accountable to local users; and
— Articulate the empowerment mechanisms that are to be available to people.

May 2011

**Written evidence submitted by Roselyn Groves and Local Resident Groups**

How effective is the Government’s approach to regeneration likely to be? What benefits is the new approach likely to bring? In particular

The active engagement and inclusion of multiple stakeholders proposed by the Government is a critical success factor in any regeneration programme or project. This approach underpinned the Housing Market Renewal (HMR) programme on Merseyside from 2003 and was formally recognized in the adoption of a Community Engagement Strategy by the NewHeartlands Board.

Specific benefits of the approach include:

— The creation of extensive and cohesive partnerships at a neighbourhood level delivering buy-in and support from local residents;
— Effective use of public funding to leverage investment from private, voluntary and third sector sources; and
— Strategy and policy alignment at a regional, sub-regional, local authority and neighbourhood level to promote efficient programme delivery.


Will it ensure that the progress made by past regeneration projects is not lost and can, where appropriate, be built on?

The risk of a change of strategy leading to a loss of momentum, investment and confidence is a major concern for all stakeholders involved in regeneration. Given the long-term nature of both the challenges and strategies linked to regeneration, the Government should adopt an evolutionary approach. This would enable Government to observe and learn from what has been done to date, to link and evolve regeneration strategies and to minimize the risks referred to earlier.

To date, the Government has ignored this methodology and adopted a draconian, finance driven approach that ignores the importance of maintaining local support and confidence to deliver long-term regeneration and economic growth. This is evidenced by the decision to end HMR funding beyond March 2011 without developing an exit strategy with stakeholders and regardless of the effect on local communities benefiting from the programme. This will undoubtedly have a negative impact and will result in:

- Schemes taking longer to complete, or not being completed at all;
- Residents being forced to live in intolerable conditions for longer (or indefinitely);
- Promises to/expectations of residents will not be met;
- Loss of confidence in the prospects of community regeneration from residents, developers, members and stakeholders;
- Developers delaying or cancelling schemes resulting in a lack of private sector investment in those areas which are most in need;
- Areas with the potential for regeneration becoming blighted;
- A loss of levered in public and private match funding investment;
- A loss of jobs affecting the construction sector, RSLs, delivery teams and suppliers;
- Training/apprenticeship opportunities will be reduced affecting neighbourhoods where training opportunities and skills are already low;
- An adverse effect on local economies if it is known that the schemes will not go ahead or will be pulled;
- A reduction in low demand housing will be reversed and areas will start to display signs of housing stress and anti-social behaviour;
- Housing choice for future generations will be reduced leading to accelerated population loss and potentially greater long term public sector costs as neighbourhoods continue to decline;
- The aspirations of increased owner occupation will not be fulfilled; and
- Scarce local authority funds will have to be diverted from other areas of need to minimise the negative impacts.

The impacts above are based on an analysis of the removal of HMR funding on Merseyside but are transferrable and applicable to other regeneration programmes where there is a failure to evolve strategy in a considered and rational fashion.

Will it ensure that sufficient public funds are made available for future major town and city regeneration projects as well as for more localized projects?

The inclusive strategy adopted for the delivery of HMR on Merseyside was arguably its greatest strength delivering leveraged funding of £455.29 million over the eight years of the programme. An impressive £207.61 million of the total sum came from the private sector illustrating how Government funding can build confidence and create an economic and business environment in which investment can be secured and resources maximized.

The success of the HMR programme in leveraging funding from the private sector to create an enhanced investment facility undoubtedly enabled more to be achieved for less public investment. This included tactical projects to stabilize and sustain areas at risk of market failure that would otherwise have required more radical interventions at a greater cost to the public purse.

The key to the success of the approach was the security of long-term investment at a level that built confidence amongst the private sector and other partners. This was achieved by the Government committing resources to regeneration within a timeframe and at a scale that generated confidence amongst potential partners and investors.

At present, the current Government has failed to make an equivalent commitment and is currently at risk of missing an opportunity to maximize long-term private sector investment in regeneration. If this approach is not reversed and the opportunity to leverage in private sector investment is not realized, the resources available will fail significantly short of those needed to deliver strategic regeneration for town and city regeneration projects alongside tactical interventions for more localized projects.
What lessons should be learnt from past and existing regeneration projects to apply to the Government's new approach?

Over the eight years of the programme the residents involved in the delivery of HMR on Merseyside learned a number of valuable lessons that fall into three broad categories:

Complexity

There are no easy solutions and what works in one area or neighbourhood may not work in another. This simple fact demands that while an overarching strategy can be employed to deliver regeneration, there has to be tactical flexibility to adopt a range of approaches and interventions in response to the particular needs of a community over time. This approach enables various approaches to be developed and tested and best practice to be shared and adopted.

Commitment

Change takes time and all partners have to be willing to commit their resources to delivering regeneration in the short, medium and long term. This applies most obviously to funding but is equally important in terms of community engagement, political support and economic impact. In the absence of such a commitment any regeneration project is doomed to failure and where commitments are given and broken the damage is often irreparable.

Confidence

The confidence of stakeholders, and most importantly local people, is difficult to win but easy to lose and maintaining hard won confidence during the inevitable challenges that accompany regeneration is extremely difficult. However, it is possible if critical decisions are taken openly, honestly and against a background of informed consultation and discussion with those affected by the decision. A failure to observe this guiding principle inevitably results in a loss of trust and commitment and the withdrawal of the resources essential to successful regeneration.

What action should the Government be taking to attract money from (a) public and (b) private sources into regeneration schemes?

The detailed answer to this question lies in the responses above and can be summarized as follows:

— **Engagement**— active, effective and ongoing engagement with all stakeholders throughout the lifetime of the project or programme;

— **Strategy**— the adoption of strategies and policies built on effective engagement and aligned at a regional, sub-regional, local authority and neighbourhood level to promote efficient programme delivery;

— **Investment**— allocating and guaranteeing the resources necessary to deliver the project or programme; and

— **Leadership**— providing effective leadership in a way that builds confidence and commitment.

— Perhaps the most important actions of Government are those which maintain and enhance confidence in otherwise marginal areas. This confidence enables homeowners, Developers and social landlords to invest and encourages population retention and economic growth. If the Government takes actions which damage this confidence then evidently it has become a driver of negative change in marginal places.

The experience of HMR on Merseyside demonstrates how these factors influence the allocation of scarce resources by public and private sector partners. Individually they are important and collectively they provide the platform for maximizing the resources required to deliver successful regeneration.

How should the success of the Government’s approach be assessed in future?

Regeneration is not about bricks and mortar it’s about people. Any assessment of the Government’s approach should therefore be determined by the extent to which it delivers long-term improvements to the lives of the people living in the places benefiting from regeneration programmes with regard to:

— economic inclusion and contribution;

— educational achievement;

— quality of housing and environment;

— health and life expectancy; and

— community and residential stability.

May 2011
Further written submission from Igloo Regeneration

1.0 Igloo Regeneration

This paper is provided by Igloo Regeneration, the development manager of Aviva’s Igloo Regeneration Fund (www.igloo.uk.net), described by the United Nations as the world’s first responsible real estate fund. Igloo’s expertise is in the funding and delivery of physical regeneration. Our experience is in urban, rather than rural, regeneration and our comments are made from this perspective.

The paper responds to the Select Committee’s request for further evidence and their specific questions.

2.0 Responses to Select Committee Supplementary Questions

2.1 What is the distinction, if there is one, between a property company and a regeneration company?

2.1.1 Urban regeneration is defined by Treasury as “a process that reverses physical, economic and social decline in an area where market forces will not do this without intervention”. In this context physical regeneration is the process of property development that only happens through public sector financial subsidy due to lack of viability in deprived areas (because otherwise it would be property development).

2.1.2 Most property development companies regard unviable projects, deprived areas and public investment as things to be avoided.

2.1.3 Regeneration companies conversely target these areas, projects and investments and have developed the skill base and the culture needed to operate in these more complex environments in partnership with local communities, social enterprise and the public sector.

2.1.4 The skills these companies require include specific expertise in community engagement, local government partnership, public funding, marketing, design, environmental sustainability, local employment, creative industries as well as the core property development skills. There is an overlap with development industry skills and regeneration can be considered a specialist niche of the property development industry.

2.2 What made you invest in regeneration in more prosperous times?

2.2.1 The evidence (from the Universities of Aberdeen, Ulster and Dundee and from the Investment Property Databank Regeneration Index) is that investing in deprived areas produces broadly the same returns as investing in prime locations and that where Government is also investing in deprived areas (regeneration areas) then returns are 20% ahead of the market.

2.2.2 This evidence appears consistent over the last two decades although the greater volatility of locations like the City and West End of London and of sectors like large, particularly out of centre, retail, has meant that regeneration has periodically under and overperformed this benchmark due to its lower volatility.

2.2.3 In the boom we found regeneration investment challenging as a wall of development debt, from the Irish and Scottish banks in particular, encouraged speculative development by a number of newly created organisations. Much of this investment was of poor quality and ill judged and has left a legacy of unused derelict sites, half completed buildings and poorly designed and constructed buildings and places in the hands of the banks who lack the skills to deal with it effectively from a regeneration perspective.

2.2.4 We made relatively few investments in the later stages of the boom.

2.3 What is constraining your ability to invest at the present time?

2.3.1 Igloo Regeneration is cash rich with substantial undrawn banking facilities. We are working hard to invest this money this year. We are conscious that we have virtually no competitors who have access to capital at present. We are finding that very few private sector landowners (particularly the banks) are prepared to sell at current market values. This is mainly because they are unwilling to crystallise their losses and they have no interest in delivering regeneration. We are disappointed that the Project Merlin agreement did not deal with this.

2.3.2 The situation is easier with public sector land. We are members (jointly with Carillion) of the Homes and Communities Agency’s Delivery Partner Panel. This is increasingly being used by local authorities to procure development partners due to its advantages in speeding up the procurement process compared with following OJEU procedures for each project.

2.3.3 However the panel is frequently not being used as originally intended for schemes that the public sector has de-risked and some local authorities still have unrealistic expectations of the market. This is a critical problem because public subsidy for regeneration has effectively dried up and land value is one way to achieve subsidy. The projects that we are able to take forward therefore depend on innovative and complex financial engineering combined with a focus on the least unviable uses and flexible and responsive public partners.

2.3.4 There is also a problem in relation to s106 for affordable housing. This poorly designed and market unresponsive mechanism depresses development land values reducing housing supply and regeneration. There is now a conflict between low land values, unviable affordable housing planning policies and the removal of grant for social rented housing that means that few new urban residential schemes are viable and where
they are each one requires the negotiation of a s106 agreement that does not comply with out of date local planning policies.

2.3.5 We are however managing to create viable projects on the edge of the UK’s top 20 city centres by using mechanisms like Build Now Pay Later, JESSICA, Business Premises Renovation Allowance, local asset back vehicles, public sector leases, reinvestment of land value in equity loans, National Affordable Housing Grant, ERDF, Derelict Land monies (in Scotland and similar funds in Wales), equity loan structures, s106 negotiations and s31 monies.

2.3.6 Often these various mechanisms have to be combined and we are finding that there has been a significant increase in funding complexity and that there is now a substantial premium on regeneration funding skills. This complexity has also slowed projects down although the current market stability provides a good foundation for complex project finance structuring.

2.4 Do you think the Government’s current plans will encourage investment in regeneration?

2.4.1 The process of change that Government has introduced will discourage regeneration investment in the short term. The loss of the RDAs (and the area based regeneration bodies), the changes and reduction in the NAHP (and its disconnection from the planning system) and the failure to date to use RGF to match ERDF have all been discouraging.

2.4.2 However the extension of BPRA is welcome (although tax allowances of this kind discourage and crowd out long term investment by pension funds and insurance companies who are displaced by shorter term high net worth investors) as is the encouragement to local authorities and other public sector land owners to use their land assets creatively to deliver regeneration.

2.4.3 The Regional Growth Fund is also welcome, although it is a very small amount and in the first phase is being used in ways that seem unlikely to result in the regeneration of deprived areas.

2.4.4 The biggest concern though is the move towards a “winner takes all” approach to public finance. Mechanisms like CIL, s106 and New Homes Bonus do not work in regeneration areas where development land values are negative. There is also the potential for these mechanisms, if they work as Government intends to encourage communities to accept new development in their neighbourhood plans, to result in an expansion of suburban development which would hasten the hollowing out of urban centres that we see in extreme form in places like Detroit.

2.4.5 We are concerned that the current review of business rates will similarly move resources to higher value areas and that Tax Increment Finance (if it continues to be deliverable in the future local government finance environment) will be used for projects like large retail centres rather than mixed use development in deprived areas. There is a significant amount of policy confusion around the Local Government Resource Review and Enterprise Zones and Tax Increment Finance. The current form of EZs are starting to look simply distortive (resulting in displacement from deprived areas not growth) rather than regenerative and where they are located on the edge of the Green Belt on urban fringes they look like ways of enhancing public sector land values rather than helping deprived communities.

2.4.6 There are potential conflicts between policies that target growth and policies that target regeneration. Short term growth might be most easily achieved through developing Green Belt locations on motorway junctions in a market free for all. However this would result in significant costs to the public purse in dealing with the need for infrastructure in these locations and in dealing with the resultant failure of inner urban neighbourhoods and in relation to climate change. In less extreme ways we are seeing these policy conflicts regularly at present eg the proposal to change the Use Classes Order to allow the conversion of business premises to residential will damage small high tech businesses in locations like Silicon Roundabout in London as it drives up their rents and drives them out of their local business networks.

2.4.7 There are also conflicts between localism policies and regeneration. By definition, neighbourhoods in need of regeneration have a limited asset base in terms of land and tax revenues. Thus the neighbourhoods that most need investment will be the ones least able to raise it themselves. The transfer of resources from higher value areas to lower value areas is necessary to achieve regeneration and to release the benefits of regeneration (eg reduced costs of healthcare, policing, welfare etc) to society as a whole.

2.5 Which areas will be most and least attractive for investment under the new arrangements and why?

2.5.1 UK real estate investment is currently flowing to low risk investments (strong occupier, particularly the public sector, financial covenants, long leases, prime locations) and to London and the south east and a few other high value hot spots around the country. Much of the focus on London is based on overseas investment and the current exchange rates.

2.5.2 In the absence of government regeneration policy to encourage investment into areas where investment will bring public benefits we do not see this trend changing in the short term although we do anticipate a degree of rippling out from the south-east as confidence and the economy grows.
2.6 What more could Government do to help?

2.6.1 This question invites the design of a policy response for regeneration investment. We are hopeful that the Government is interested in engaging in this important and urgent debate and that the Select Committee Inquiry will help to start the conversation.

2.6.2 We recognise the current risks around UK public finances and the need to ensure that interventions reduce these risks. However we also recognise that we are not in a situation where “there is no money left” but one in which the priorities for spending need careful consideration.

2.6.3 We do not believe Government has a sufficient focus on the costs to the public purse of areas of concentrated deprivation. We believe that successful regeneration, and the arrest of the spiral of decline in the worst areas, has a positive financial return to public investment in terms of reduced welfare, healthcare, policing and other similar costs.

2.6.4 Government seeks to invest its scarce resources in ways that maximise its returns (financial, social, environmental and economic) and we believe that public regeneration investment provides strong returns.

2.6.5 Within urban regeneration such investment should also be used in ways that provide the best returns and we believe this will usually be in ways that bring increased private investment.

2.6.6 While the optimum approach to regeneration varies from place to place there are some common lessons that have been learned over the past three decades including the need to:

1. Create incentives to work in the benefits system.
2. Limit urban sprawl.
3. Encourage sub regional prosperity.
4. Focus on small areas.
5. Dedicate delivery teams.

2.6.7 So our policy prescription would be to focus limited resources on deprived neighbourhoods in sustainable locations with the potential to become self sustaining through attracting private investment eg those on the edge of city centres.

2.6.8 Based on our extensive current frontline market experience we would advocate Government (both central and local) doing this by:

- Transferring resources from wealthy areas to deprived areas (and retention of resources in deprived areas through mechanisms like TIF designed to incentivise private investment).
- Using non financial mechanisms like guarantees, CPO powers (land assembly) and leases to share regeneration risk.
- Using assets and developer procurement to achieve high quality regeneration outcomes— design, sustainability, health, happiness, well being and local social and economic outcomes.
- Allowing local authority financial flexibility.
- Supporting investment in new schools in regeneration areas ahead of demand.
- Moving from tax based to grant based incentive mechanisms to encourage long term investors.
- Using and extending Regional Growth Fund to match ERDF for both ERDF grant and JESSICA.
- Aligning planning policy (s106), the National Affordable Housing Programme and regeneration funding to facilitate physical regeneration in deprived areas.
- Giving all publicly funded bodies and statutory utilities a regeneration objective/duty (eg Network Rail, British Waterways, Water Companies, the publicly owned banks).
- Supporting a highly skilled public sector regeneration capacity within the Homes and Communities Agency to support communities and local government led regeneration.
- Amending the General Disposal Consent and OGC guidance to align them with the European Land Sales Directive and encourage assets sales at values that encourage high quality regeneration.

June 2011
Supplementary written evidence from the Department for Communities and Local Government

Regeneration

Further to your letter of 10 May, please find attached two tables of financial data.

Valuing the Benefits of Regeneration was commissioned by the previous Government and undertaken in 2009–10. That being the case, several of the 2010–11 figures included in the report have since been subject to in-year revisions following the change in Government, notably as part of the Spending Review 2010. These are set out at Annex A.

Annex B sets out our current estimates of future funding. The first table sets out 2011–12 figures for the same programmes listed in the Valuing Regeneration report. Below this are key additional funding streams for which the 2011–12 figures can be identified. The second table sets out key additional investments over the SR period.

Please accept our apologies for the delay in getting these to you.

Annex A

<table>
<thead>
<tr>
<th>Delivery Body</th>
<th>Valuing Regen Figures 2009–10 (£m)</th>
<th>Revised 2010–11 (£m)</th>
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<tbody>
<tr>
<td>DCLG</td>
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<td>National Affordable Housing Programme*</td>
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<td>Property and Regeneration</td>
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<td>Growth Funding*</td>
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<td>Thames Gateway</td>
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<td>Community Infrastructure Fund</td>
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<td>Places of Change/Homelessness Change*</td>
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<td>Social Housing Efficiency Programme</td>
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<td>Gypsy and Traveller Site Grant*</td>
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<td>Decent Homes—Gap Funding</td>
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<td>Housing Market Renewal</td>
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<td>Homes and Communities Agency Academy</td>
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<td>New Communities Fund</td>
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<td>Other</td>
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<td>Kickstart Housing (Housing Stimulus Package)*</td>
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<td>Kickstart Housing (Housing Pledge)*</td>
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<td>Local Authority Build (grant) (Housing Stimulus Package)</td>
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<td>Local Authority Build (grant and borrowing) (Housing Pledge)</td>
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<td>Housing Environment (Housing Stimulus)</td>
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<td>Public Land (Housing Pledge)</td>
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<tr>
<td>Arms Length Management Organisations*</td>
<td>909</td>
<td>609</td>
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</table>

110 Taking account of in-year revisions following the change in Government, including via Spending Review 2010
111 HCA figures in the Valuing Regeneration report were taken from an HCA Corporate Report 2009–10. This included projected expenditure for 2010–11 which was subsequently revised. The original figures provided for 2009–10 and 2010–11 are gross rather than net figures—they do not include expenditure supported by receipts. (including for the Property & Regeneration programme funding from HCA’s capital receipts).
112 Revised 2010–11 figures for HCA are the final budgets for 2010–11 as agreed at the 2010–11 Spring Supplementary process
113 This is a net figure—it does not include expenditure supported by receipts. This figure also contains expenditure under the heading Public Sector Land (see below)
114 This is the sum of Growth Areas and Eco-Towns.
115 Renamed Homelessness Change from 2011–12
116 Included in Property and Regeneration above
117 Arms Length Management Organisations was replaced by the Decent Homes Backlog Programme and now includes payments directly to stock-retaining local authorities
### Delivery Body

<table>
<thead>
<tr>
<th>Valuing Regen Figures</th>
<th>Revised 2010-11</th>
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<tr>
<td>2009-10 (£m)</td>
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<tr>
<td>Housing Private Finance Initiative Credits—CSR07118 119</td>
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<td>Housing Private Finance Initiative Credits—earlier CSRs118120</td>
<td>1,234</td>
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#### Regional Development Agencies*

<table>
<thead>
<tr>
<th>Regiona l Development Agency Single Budget</th>
<th>Regional Development Agency Management of European</th>
<th>Regional Development Fund122</th>
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<tbody>
<tr>
<td>2,260</td>
<td>494</td>
<td>1,442121</td>
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</table>

**Total** 11,189 9,100 7,926

* This includes some inward investment and trade development expenditure which falls outside the author’s definition of “core” regeneration programmes.

### Annex B

#### PROGRAMMES

<table>
<thead>
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<th>2011–12 (£m)</th>
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<tr>
<td>Quoted in Valuing Regeneration</td>
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<tr>
<td>Coalfields Regeneration Trust (CRT)</td>
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<tr>
<td>Renewing Neighbourhoods (Neighbourhood Management Pathfinders and Groundwork)</td>
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<tr>
<td>Total NAHP + Housing Pledge*</td>
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<td>Property and Regeneration</td>
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<tr>
<td>Gypsy and Traveller Site Grant*</td>
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<td>Decent Homes—Gap Funding</td>
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<tr>
<td>Kickstart*</td>
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<tr>
<td>Local Authority Build (all)</td>
</tr>
<tr>
<td>Decent Homes Backlog Programme126</td>
</tr>
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</table>

#### Additional Programmes

<table>
<thead>
<tr>
<th>2011–12 (£m)</th>
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</thead>
<tbody>
<tr>
<td>Affordable Homes Programme</td>
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<td>FirstBuy</td>
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<tr>
<td>HM R Transitional Funding</td>
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<tr>
<td>Housing Growth &amp; HM R Transition Fund</td>
</tr>
<tr>
<td>Accelerated Land Disposal128</td>
</tr>
<tr>
<td>New Homes Bonus</td>
</tr>
<tr>
<td>Regional Growth Fund</td>
</tr>
</tbody>
</table>

**2011–12 Sub-Total** 3,872

#### Cross-SR-Period Funding Streams

- Olympic Park Legacy | 500
- High Speed 2 | 750

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118 Figures referred to in the Valuing Regeneration report are in the HCA Framework Agreement, Accounting & Management Note 7 (2009) and represented CSR07 2009–10 and CSR07 2010–11 PFI credits to be allocated as Outline Business Cases were approved. Treasury did not continue to support the continuation of this funding in SR10.

119 PFI credits are not cash but are the NPV of future grant payments in support of capital funding for PFI projects and have only been included in this figure on an indicative basis.

120 £1,234 Million is the residual PFI Credits allocation from earlier Spending Rounds allocated to Housing PFI projects currently in procurement, which HMT did support in SR10 and which are scheduled to be committed in the SR10 period. This figure did not appear in the Valuing Regeneration report. The current stated level of PFI credits available is likely to change over the course of July 2011.

121 2010–11 Spending Review allocated budgets—source: BIS website “Finance and Governance of Regional Development Agencies”

122 ERDF figures are approximate for several reasons, including reliance on Sterling-Euro exchange rates, the EU use of calendar accounting years and the reliance on the identification of match funding.

123 Funding is for Groundwork with additional funds for 2012–13 of £8 million and 2013–14 of £6 million. No further funding will be made.

124 Funding continuing into 2011–12 is for committed expenditure only. This is a net figure—it does not include expenditure supported by receipts.

125 Renamed Traveller Pitch Funding from 2011–12

126 Decent Homes Backlog Programme replaces previous Arms Length Management Organisations and now includes payments directly to stock retaining local authorities.

127 Spending Review allocated budgets—source: BIS website “Finance and Governance of Regional Development Agencies”

128 Expenditure for this programme in 2011–12 as shown will be funded from HCA receipts that DCLG has agreed HCA can retain for this programme

129 Total NHB payments made on the allocations for 2011–12 only.
### PROGRAMMES 2011–12 (£m)

<table>
<thead>
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<th>Programme</th>
<th>2011–12 (£m)</th>
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<tr>
<td>Crossrail</td>
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<td>European Regional Development Fund— unallocated funds</td>
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<tr>
<td>European Regional Development Fund— committed funds</td>
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<tr>
<td>Housing Private Finance Initiative Credits</td>
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<td><strong>Sub-Total</strong></td>
<td><strong>1,242</strong></td>
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*These programmes come under the umbrella of HCA’s Affordable Homes Programme 2011–12

**Written submission from the Homes and Communities Agency**

1. To what extent does the HCA have a role in regeneration, as opposed to housing? How are the two roles linked?

The HCA was created in December 2008 by bringing together regeneration body English Partnerships, the investment arm of the Housing Corporation, the former Academy for Sustainable Communities and a number of housing and regeneration programmes from the Department for Communities and Local Government.

The rationale behind the creation of the HCA was based on the greater benefits that could be realised by bringing together a range of housing and regeneration funding programmes and expertise in a single organisation. This has involved new ways of working from the bottom up and better decision-making processes, enabling greater synergies and efficiencies from timely investment of limited resources in places.

From the start our main business model has been focused around Local Investment Planning, to ensure that the totality of housing and regeneration investment is informed by a plan developed and owned at the local level. This model looks beyond our own funding streams towards aligning our own expenditure and use of assets with those from other areas of Government and local authorities and the private sector to best support local objectives.

Following the 2010 Spending Review, HCA’s role going forward was confirmed as a smaller investment and enabling agency, working closely with Local Authorities. Our core business continues to be supporting local partners to achieve their objectives for housing and regeneration. We do this by:

- Investing in new housing and the development and regeneration of communities;
- providing expertise and technical support; and
- utilising our own and other public sector land assets.

Over the spending review period, we have over £8 billion available for investment. Our investment programmes are grouped around the following headings, each of which has an important role to play in regeneration:

- **Land and Regeneration**— funding for completion of existing regeneration commitments of £423 million, which includes levering in public sector assets to deliver value and benefits for local communities, (with DCLG) providing a further £30 million of transitional support to the most challenged for Housing Market Renewal areas and accelerating disposal of our land for housing and economic objectives;

- **Affordable Housing**— we will continue to deliver existing commitments under the former National Affordable Housing Programme and will fund the new Affordable Homes Programme, including the new Affordable Rent Product, new affordable home ownership homes, Mortgage Rescue, Empty Homes, Homelessness Change and Travellers Pitch Funding. The AHP is focused on accelerating the delivery of affordable homes in England making a significant contribution to a target of up to 150,000 additional homes by the end of the period. We shall also be running FirstBuy, a scheme to help over 10,000 first time buyers to purchase a new build property, which was announced in the 2011 Budget; and

- **Existing stock**— Decent Homes investment to address the outstanding repairs and improvements to the social housing stock and to reach the point at which a self-financed programme of ongoing investment is viable and working with local authorities to help them both develop and deliver housing PFI projects.

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130 £1,234 million PFI credits are included in this figure. However, PFI credits are not cash but are the NPV of future grant payments in support of capital funding for PFI projects and have only been included in this figure on an indicative basis.

131 This figure is the residual PFI Credits allocation from earlier Spending Rounds allocated to Housing PFI projects currently in procurement and scheduled to be committed in the SR10 period. This figure did not appear in the Valuing Regeneration report. The current stated level of PFI credits available is likely to change over the course of July 2011.
We are working closely with Government and the Regional Development Agencies (RDAs) to help determine the best future for the RDAs’ assets and liabilities. We are also be preparing for some substantial changes in spring 2012, dependent on the outcome of Parliamentary processes:

- We will cease to act in London, as the Mayor of London will be given new powers in relation to housing and regeneration, and
- We will assume responsibility for the regulation of social housing when the Tenant Services Authority is abolished.

Examples of the interconnectedness of our housing and regeneration work are set out below.

The HCA and Tower Hamlets Council are leading the comprehensive regeneration of Blackwall Reach with their development partner, Swan & Countryside Properties Plc. Local residents are being consulted on the partners’ proposals prior to the submission of the outline planning application this summer and their feedback has been very constructive. The new development will feature over 1,600 mixed-tenure homes, around 700 of which will be affordable and more than 250 will be family-sized. New community facilities, shops, parkland, an enhanced school and improved links to surrounding neighbourhoods are also planned as part of the transformation of the area. All existing residents of Robin Hood Gardens, Mackrow Walk, Anderson House and Woolmore Street will be rehoused, and they have been notified that the Council intends to remove the buildings in a phased demolition from 2014 to make way for the improvements.

The HCA has worked closely with Plymouth City Council and the RDA on the regeneration of Devonport, within the context of the Devonport Action Plan which sets out a vision “to re-create Devonport as a distinct modern place, a vibrant self-sustaining community.” Ker Street is formerly Devonport’s civic heart, which was dominated by grey, post-war blocks of flats and listed, but dilapidated, historic buildings. Residents have been involved from the outset in the regeneration of Devonport and community consultation has been vital to this process. The project comprises the demolition of existing post war buildings and the building of new homes within a refreshed street scene. The scheme, together with other important initiatives in the area, plays a key role in the creation of a new balanced and sustainable community within Devonport. Delivered by MIdas Homes and Westco Joint Venture, the project will provide 123 homes in a mix of tenures including affordable rent and Low Cost Home Ownership and complements the historic buildings in the locale.

The New East Bank (cube) Advent V scheme in Manchester is a housing scheme that had initially stalled with the developer going into liquidation. The scheme was developed as a partnership between Manchester Ship Canal Developments, Manchester City Council and the HCA. The project is located within the regenerated Ancoats urban village area of Manchester, a key regeneration priority for Manchester City Council who provided the land for the development. The HCA provided funding in the form of a loan with interest payable on completion of sales— an innovative approach to the stalled project.

New East Bank provides 108 properties for open market sale with 33 of these being flats within an apartment block shaped like a cube (hence the name) with 75 further units being mixture of two and three bed mew houses. The scheme is now complete and provides an appealing tenure mix of houses and flats within close proximity to the city centre, the Manchester/Rochdale canal and the new tram link improving access to Greater Manchester when complete. All but 40 units are now sold which reflects the strategic location, quality and appeal of the scheme. The £5 million of bank funding has already been repaid with the HCA loan (with interest) expected to be repaid much earlier than scheduled due to the earlier than anticipated sales.

2. What are the principal contributions the HCA can make to regeneration within the decentralised, community-led approach envisaged by the Government?

All our work is focused on helping local areas to achieve their objectives, set out in local investment plans. We believe the HCA is able to provide solution in a difficult environment for regeneration, making the best use of the resources.

We have described above our investment programmes. Our enabling role means that through support, advice and expertise that we have developed from our own project delivery, we can help local partners unlock and deliver projects and share good practice nationally. We have particular expertise around regeneration, land and affordable housing that we share with partners locally.

An integral part of the Affordable Homes Programme Framework is a commitment to supporting community-led housing development. We are actively encouraging community-led groups to seek partnerships with existing providers in order to share expertise and facilitate access to finance, grant and development ability. As part of their work with local authorities and the community sector, our local teams will explore opportunities for taking schemes forward where they deliver good value for money and locally agreed priority outcomes. This will include further work to ensure the associated processes are proportionate to the projects that come forward.
Examples of specific contributions we have focused on over the last two years include:

- As well as working with local partners on community-led regeneration through local investment plans as core business specific issues we have assisted with include estate regeneration, new-build, self-build, empty homes and land reclamation:
  - we have supported a number of community-led housing and regeneration schemes including those at High Bickington (SW), Lyvennet (NW), LILAC (Y & H), Bishop’s Castle (SW);
  - supported plans to deliver sustainable, community-owned housing and allotments on the HCA’s derelict Cashes Green hospital site in Stroud;
  - supported a number of local authorities with community-led planning initiatives such as Enquiry by Design; and
  - we also sit on and work closely with a number of other external community-led development and regeneration networks including the CLT Network and Mutual Housing Group.

- At the beginning of June 2011, the HCA released its new spatial analysis tool—“SIGnet”. The release was the culmination of many months of development and testing with local authority partners. Since it was launched there has been a huge demand for access to the service. Together with requests for access to the Empty Homes mapping toolkit (released in May 2011), well over 200 different public sector organisations have already requested access to these free tools. The tools provide partners with a single place to view data that has previously only been available in different formats, for example allowing them to look at investment compared with land supply, planning constraints and local infrastructure when deciding where to build new and affordable homes in their communities.

3. How can momentum on regeneration best be sustained in a time of limited resources?

Over the last 12 months our P&G programme has delivered 3,208 housing completions, 3,587 housing starts on site, 272ha of reclaimed Brownfield land and 125,960 sqm of employment floorspace, which illustrates that where funding and the right projects are made to work, significant benefits continue to be delivered across the country.

For the current Spending Review period 2011-12 to 2014-15, we will be delivering £423 million of commitments to deliver the completion of 14,000 homes, develop 880ha of previously developed land and create 400,000 sqm of employment floor space.

In some parts of the country we are reviewing the projects to see how best to take them forward, given market changes. In each case we bring our commercial knowledge and experience alongside an understanding of the local market to work out how best to unlock projects, including looking at the mix of uses, balance of risk and timescales.

Land is an increasingly important currency to unlock development. We work with local authorities through local investment planning to identify the strategic contribution our land can make. We are committed to not hold land longer than is necessary and to dispose of our land on terms where it can contribute to delivery (including deferred receipts and using building leases) so that our land contributes to regeneration and economic and housing growth. In March we announced a number of sites—our own and some other publicly owned sites—which we are committed to bring to the market under the new Accelerated Disposal Programme, to provide at least 3,000 starts on site for new homes within the next two years as well as further land for employment and other commercial uses. Our Disposal and Development Strategy was published on 8 June which explained how this would operate.

Access to a supply of development land is a vital ingredient in successful economic growth and the HCA is using our own land and working with government and other public bodies to unlock and accelerate the release of surplus public land for the creation of new homes and employment opportunities.

The HCA has been working with local partners and key stakeholders to promote the regeneration of Gloucester College and Quays for several years. Strategic to this approach was the decision to acquire the former Glascot (Gloucestershire College of Arts and technology) site at Greyfriars which facilitated the relocation of the campus to Gloucester Quays and supported the wider regeneration aspirations for the area including the college, housing, retail and commercial development.

We are currently working with our development partner Linden Homes to deliver a major redevelopment of the former campus at Greyfriars which is also considered to be one of the top three Local Investment Plan priorities for Gloucestershire. By adopting an open book approach with appropriate sharing of risk and reward, the HCA has given the developer the confidence to continue with the scheme through the recession. Detailed planning permission is currently being sought and it is anticipated construction of this exemplar development will mark an important milestone in the fortunes of the city centre.

4. How important a role does regeneration play within a wider strategy of economic growth?

Regeneration can create the conditions for economic growth—Manchester and Sheffield are good examples of this. Equally, economic growth underpins sustainable regeneration, and so housing and other interventions
need to support the economic purpose of a place to be sustainable. Targeted regeneration investment and support can help support Government’s ambition of rebalancing the economy. These themes all come together in HCA’s work in each local place through the Local Investment Plans.

5. What lessons has the HCA learned that can be applied to future regeneration projects?

The HCA has considerable experience of what works. Our Property and Regeneration programme covers a wide range of regeneration projects in different local circumstances including coalfields, town centre regeneration, rural regeneration, urban extensions, new communities, exemplar projects, housing and commercial led regeneration schemes. We also have experience to draw upon from our work in the HMR pathfinder areas, on the Decent Homes programme, and on Housing PFI schemes.

A key lesson learnt from our own and earlier regeneration experience, that regeneration has to be bottom up, is embedded in HCA’s work. The local investment planning process has shown that while we can offer investment, enabling advice and support, regeneration happens in places and it is local people and institutions that can best decide what is needed and what is appropriate at a local level. The HCA operates through our local operating area teams who can call upon corporate skills and support as and where they are needed.

Local Investment Plans ensure that the totality of housing and regeneration investment is informed by a plan developed and owned at the local level. This model looks beyond our own funding streams towards aligning our own expenditure and use of assets with those from other areas of Government, local authorities and the private sector. Locally driven decisions on capital investments, including those on economic development, growth and regeneration (including RDA projects as a funding partner), ensure that as well as working towards appropriate job creation, regeneration and renewal the housing offer for local people is appropriate for the area’s future as well as the wider provision of public services.

By their very nature the bulk of the projects in which the HCA is a partner are either complex in nature, in areas where the private sector won’t invest, or both. Often they happen only because risk is apportioned appropriately between the public and private sectors.

That said the private sector has invested in “regeneration areas” with some success/return over the years as has been shown by past IPD Regeneration Index figures and HCA is continuing to invest in places alongside the private sector in a variety of ways:

— through a variety of a wide range of risk:reward sharing models with private sector partners including loan and equity investments as well as formal joint ventures;
— investing alongside the private sector in HomeBuy Direct and now FirstBuy to support first time buyers and to help widen the demand for homes within mixed use schemes— this shared equity is recoverable over time as first time buyers move on; and
— using deferred receipts, where appropriate, in our land disposals. The disposal terms used can make a significant difference to delivery. Reviewing the timing of payments (so that they might be at completion rather than upfront) can significantly improve developer’s cashflows: reducing financing costs and allowing limited capital to be targeted on other upfront (eg infrastructure) costs. Use of deferred payment can unlock viability on marginal sites and can help the developer to manage its risk and reduce the amount of capital tied up in the project prior to homes being sold.

Projects do vary in their complexity and scale but ensuring the right skills are available can reduce the risk of failure, from data intelligence/analysis, visioning and design, financial and contract management, economic appraisal, and performance management. Innovation and new tools are important. Our Delivery Partner Panel for instance has improved the speed in which we and our partners can bring sites forward for development through access to EU-procured developers.

Creating the right conditions for investment are key, particularly when market conditions and confidence are low so an emphasis on reducing risk for private sector partners that are willing to invest is key, such as addressing site conditions, accessibility and infrastructure, and planning.

6. With the abolition of RDAs and reductions in public funding, how can we ensure that important regeneration knowledge and expertise is not lost?

Our website has recently been updated to provide easier access to our historic library/knowledge resource providing access to expertise and lessons learnt with practical advice and insights about a range of industry priorities. This offers greater interactivity for users to gain access to and comment upon case studies, reports, feature stories and statistics.

We work with the Local Government Group on a range of issues and knowledge sharing, for example, most recently in the Capital and Assets Pathfinders. In our ongoing support to BIS and DCLG on the future of RDA assets and liabilities as part of winding down the RDA’s we are discussing how best we can help with knowledge transfer issues and retaining expertise within the industry.

June 2011
Further written evidence from UK Regeneration

This supplementary evidence provides the Committee with further details of UK Regeneration’s plans for introducing private investment into regeneration activities.

We set out in our main evidence that the Government’s framework would require major private investment. We have been working for some time on ideas which would:

— use a new approach to the private rented sector;
— combine that with retail, commercial and other uses enhancing local economic growth and local jobs;
— be simpler and speedier to implement; and
— make use of local authority land.

On 1 July we announced our proposals (Press Release attached at Annex A). The Minister, Grant Shapps, welcomed our announcement and referred to it in his oral evidence on 4 July.

We have subsequently made available on our web site a document Framing the right collaboration which sets out the main criteria for selecting sites which would be suitable (Annex B). We developed our ideas in collaboration with three local authorities and, since the announcement, many others have contacted us about the possible use of their sites.

We will be publishing further background information on our proposals later in the summer including, as negotiations are finalised, details of the potential pilot schemes.

UK Regeneration
8 July 2011

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