COMMUNITIES AND LOCAL GOVERNMENT COMMITTEE: INQUIRY INTO REGENERATION

MEMORANDUM OF EVIDENCE FROM THE CHIEF ECONOMIC DEVELOPMENT OFFICERS SOCIETY (CEDOS) & THE ASSOCIATION OF DIRECTORS OF ENVIRONMENT, ECONOMY, PLANNING & TRANSPORTATION (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;
    - 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 e.g. 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;
    - 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, and
- 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;

- 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 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.

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;
- enabling every part of Britain to fulfil its potential.