Urban Regeneration Companies

Guidance and Qualification Criteria – May 2004
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**ANNEX**

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Introduction

1. This Guidance note replaces DTLR’s “Development of Guidance and Criteria” issued in March 2001. It contains information for those seeking Urban Regeneration Company (URC) status, and for the continued operation of existing URCs, on: policy background, key principles, Government requirements and good practice to be followed. This revised guidance reflects Government policy and has been prepared in response to the URC Policy Stocktake undertaken on behalf of Office of the Deputy Prime Minister (ODPM) Ministers and concluded in May 2004.

2. This Guidance will be kept under review and will be revised as necessary to reflect feedback, new issues and the development of best practice.

Background

3. The Government see Urban Regeneration Companies (URCs) as an effective means of organising and delivering major regeneration projects in key urban locations, and as an important vehicle in the renewal of towns and cities and for delivering sustainable communities.

4. URCs are companies limited by guarantee which are established by a local authority or authorities, the relevant Regional Development Agency (RDA), and often (but not always) English Partnerships (EP), the Government’s national regeneration agency. Following recommendations in the Urban Task Force Report, the Government supported the establishment, in 1999/2000, of three pilot URCs in Liverpool, East Manchester and Sheffield. The effectiveness and value for money of these three URCs, during their first five years of operation, will be evaluated by EP and ODPM during 2004 and 2005.

5. The Urban White Paper (November 2000) proposed a programme of about twelve new Urban Regeneration Companies over the next 2/3 years – bringing the total to around 15. The purpose of URCs, as set out in the Urban White Paper, was to “work with a range of private and public sector partners, including the Local Strategic Partnerships, to redevelop and bring investment back to the worst areas in our cities and towns.”

6. With the approach of the 15th URC established in England (there are now 16, with the recent addition of Gloucester Heritage) Ministers decided that the time was right to review the policy position in the light of experience and in the different policy context presented by the Sustainable Communities Plan. The stocktake began in late summer 2003 and this guidance arises from recommendations made to and accepted by Ministers. The stocktake was not a full scale policy evaluation, but rather a snapshot of where we are, where the policy is going, and the funding and practical implications that need to be taken into account in decision making.
Policy Rationale

7. The primary role of a URC is to address significant latent development opportunities by developing and managing implementation of a plan, agreed by the key stakeholders following public consultation, to build business confidence and realise a collective vision for the future of the area. They are most relevant in regional or sub-regional urban centres, where there is a current under-performance in terms of market failure and/or other institutional or operational failure that has a bearing on the competitiveness of the centre and wider sub-region. URCs provide an added impetus and focus for the delivery of a core series of physical development projects, which – allied with other regeneration and community activities – set out to attract inward investment, address deprivation, create economic activity and reverse the process of decline. Although not exclusively, there should be a primary focus on physical development projects and on the re-use of brownfield land where opportunities exist.

8. URCs achieve their objectives through strong leadership, by pooling the resources, expertise and commitment of their members, by building delivery capacity, by working to the strengths of the partners in the delivery of specific strategic interventions, and by engaging with the business community and the public to secure co-ordinated action. This increased activity requires a high profile, dynamic new team, funded by the RDA and local authority (or authorities), and often EP, and set up to agree a regeneration framework and implement key projects over a 10 to 15 year period, at a constantly high rate of delivery.

9. Ministers have confirmed (URC Policy Stocktake 2004) that there should be no arbitrary limit placed on the numbers of URCs, nationally or in each region. It is, therefore, for local and regional bodies to decide whether they wish to establish a URC in a particular location. However, although URCs are seen as relatively cost-effective mechanisms, they do not come without significant financial and resource implications.

10. URCs rely on existing agencies for their core funding and require long term support from them for the running costs of the team. They require clear and continuous commitment from funding partners, both financially and in terms of skills, structures and procedures, in order to create a critical mass of projects, speed up delivery, and maximise effectiveness and value for money by convincing public and private stakeholders that the URC “means business”.

11. Consequently, there will in practice be a limit to the number of URCs that any RDA – whose involvement is essential – will be able to support. For this reason it is doubly important that the RDAs especially should consider carefully, and early in their deliberations, whether and how any potential URC proposal accords with the RES, taking account of the RDA’s wider corporate responsibilities and demands on financial resources.

12. It is equally important for other funding members to understand and appreciate the level of long term financial and practical commitment required to support a URC in “making the difference” from existing arrangements and decision-taking structures. Numbers will also be limited by the willingness and ability of core partners to co-operate in this regard.
Basic Principles

13. All proposals for new regeneration vehicles must be considered in light of local circumstances and the particular policy and practical requirements. This very much applies to URCs, which are intended as a flexible vehicle, adaptable to local needs. However, there are certain criteria which URCs, as a national policy initiative, are intended to meet, and Government will want to see certain guidelines addressed in any URC proposal, so as to protect the public purse, provide high quality delivery and propriety, and ensure consistency of structures and procedures – thereby strengthening the URC brand and overall programme effectiveness.

14. A URC is intended to provide a focus and dedicated resource that is needed only where a combination of existing agencies, including local authorities, could not have the desired effect. A URC must not duplicate or overlap with existing initiatives delivering the same or similar objectives. A URC is, though, expected to co-ordinate with other initiatives or agencies that are undertaking complementary activities in pursuit of regeneration or other community benefits.

15. Hence, partners considering establishing a URC need to ask and answer certain questions as a starting point:

   a) What is the driving force for large scale economic and physical regeneration in the area, engaging both public and private sector?

   b) What previous initiatives have there been to try and address the issues identified, and why have they, and the efforts of existing agencies, not succeeded?

   c) In particular, why has private sector interest and investment not been attracted to the extent needed to effect significant long term change?

   d) What other government inspired zones and initiatives, either at borough level (eg New Start) or in smaller areas (eg New Deal for Communities) are operational in or impacting on the URC area? How do they, or do they not, help with the particular problems identified?

   e) Is there a particular need for a separate body to pull together, rationalise and deliver key physical development initiatives and projects? Why are existing roles and arrangements inadequate?

   f) Can a specific area boundary be defined, within which there is sufficient scale of land and redevelopment opportunities to make a much wider impact?

   g) How would a URC complement and add to the existing programmes of the RDA and the local authority or authorities?

   h) How would a URC make the key difference and create distinctive added value? Including (but not exclusively):

      i) boosting the internal capacity of founder members, including through joined up assessment and monitoring systems?
ii) improving co-operation and integration, linking effectively with other relevant programmes?

iii) facilitating & supporting development projects with an early strategic impact?

iv) supporting the activities of other partner bodies, including the Local Strategic Partnerships, and working closely with these bodies to ensure a co-ordinated approach to strategy?

v) improving co-ordination of funding streams, including from European sources?

vi) providing a focused marketing image to raise the national/regional profile of the area?

vii) creating potential to recycle development value back into the area?

viii) any other distinctiveness derived from particular circumstances?

16. Early consideration of these questions by the collective local and regional partners will help them decide whether the URC model offers the best opportunity for addressing the identified needs, or whether a variation on an existing mechanism will serve the same purpose without the additional cost and time of establishing a new body; for example:

• a loose partnership or more formal partnership;

• enhanced procedures and activity by an agency or agencies (RDA and/or local authorities); and

• more targeted action by existing agencies – eg series of joint ventures or separate delivery of a strategic development site by an existing agency.

An unincorporated partnership or a higher profile lead agency may be the appropriate delivery vehicle where local partners work well together and regional priorities do not require the added focus of a URC.

17. It should also be noted that, although some exploratory work is underway to consider whether URC teams can and should take on a direct development role (ie with the ability to hold and sell land, and enter into major contracts, in their own name) in their particular areas, this is not the primary function of a URC team. That primary function is to deliver physical projects and improvements, but through a co-operative and co-ordinating partnership approach, utilising and maximising the powers and expertise of the existing statutory regeneration agencies (including local authorities) and acting on behalf of or supporting those agencies in commercial negotiations, project appraisals, project management, and so on, wherever that is agreed amongst the URC members. The strength of the URC team and leadership should also lie in their ability to persuade and convince not only outside organisations but also representatives of their member organisations to adopt different practices and approaches, to help address procedural deficiencies and the problems identified in the area of operation, and to improve quality thresholds in developments and the regeneration process.
Note: There is some confusion about the distinction between URCs and UDCs (Urban Development Corporations). URCs are non-statutory delivery bodies in the shape of formalised partnerships which bring targeted funding and activity from their members, close engagement with the private sector and a dedicated team, but not an extra direct development role or separate planning or compulsory purchase powers. UDCs are statutory bodies that are currently being set up especially to deliver against objectives of the Sustainable Communities Plan. UDCs may be appropriate delivery vehicles where the scale and intensity of the task of land assembly and site preparation, and co-ordination of local partners, is especially complex and justifies the additional powers and focus of a UDC, and the correspondingly higher costs attached. Subject to certain national criteria, as set out in this Guidance note, URCs are established and run by local and regional partners; UDCs are set up by statute and therefore require a stronger and closer central Government role and support.

18. If, following consideration of other options, a URC is the preferred form of delivery vehicle, then the Government (through the Office of the Deputy Prime Minister) will expect to see a number of fundamental issues addressed before giving its endorsement and granting approval to the inclusion of the RDA and (if requested) EP in any new company structure. These issues are set out below.

Essential Requirements

19. ODPM will seek written assurances on the following factors, all of which are essential if proponents wish to secure Ministerial endorsement to the formation of a URC as part of the Government programme:

a) **Local authority and RDA membership** – which are central to a URC.

b) **RDA support in recognition of a high priority in the Regional Economic Strategy (RES)** – as long as the RDA can demonstrate that support for a new URC will not divert resources from existing URCs such as to undermine their effectiveness, and with the exception set out immediately below.

Although consistency with the adopted RES is essential, there is policy flexibility to allow for a URC to be established in support of key specified Sustainable Communities Plan objectives which may not feature explicitly as a high priority in the agreed RES (although in most cases, the two will be consistent). In such instances, funding relationships (for example, to take account of any direct ODPM funding available) and the wording of model documentation may need to adapt to the specific circumstances.

c) **The URC should have a focus on physical delivery of development** (including public realm and, where appropriate, transport) projects and an identifiable critical mass of development opportunities that would have a wider regenerative effect.

d) **Evidence of market failure and/or other institutional or operational failures that require the different approach offered by a URC**, including examples of previous initiatives which may have failed to meet the objectives proposed for the URC, and/or evidence of an emerging need requiring the URC focus.
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e) Indication of how the proposed URC will create distinctive added value.

f) A URC Board chaired by a representative of the private sector.

g) A URC Board with no public sector majority and no local authority influence or control as defined in legislation. ODPM will expect to see LSP or other community membership, and at least a private/public even split, taking the community representation as “public”. Private sector Board representation should be drawn from prominent local, (preferably) regional or even national bodies, and great care should be taken over the avoidance of potential conflicts of interest.

Note: While board composition is a matter for the partners, please note that:

a) URCs are public sector companies, in national accounts classification terms – by virtue of the status of their founders;

b) precise board composition may further affect the status of the company – detailed advice on company status has been prepared by Eversheds and will be available on the URCs website.

h) All URC proposals must be supported by the Local Strategic Partnership or Partnerships.

i) Exit Strategy. URCs are intended to be time-limited bodies: this helps to focus partners on business planning and a properly thought out spatial strategy, and gives the private sector the comfort that efforts will be targeted on particular projects and wider objectives over a specific period. Consideration of a planned exit strategy at the start will help define a URC’s long term objectives and geographical remit. ODPM will expect to see included in any URC proposals a well considered long term exit strategy, prepared in light of realistic expectations of physical delivery. Company documentation must also include as standard provisions for quick exit arrangements in the event of emergency circumstances, force majeure, and the usual contingency of withdrawal of funding. The exit strategy will need to take account of the implications of any staff redundancies at any time and implications in respect of pension contributions.

j) Evidence, and written assurances, that all the potential URC members are fully aware of and committed to the principles of a URC and its resource implications, including through:

i) Revenue Funding: It is a basic necessity for URCs to have certainty over continued coverage of their running costs. All funding members should commit, at the outset, to specified revenue funding for at least three years from the establishment of the URC; to indicating their longer term commitment in principle, including the implications of an exit strategy; and to maintaining a rolling three year commitment in accordance with the long term URC business plan, when it has been agreed.
ii) **Capital Expenditure:** By its nature, it is less easy to predict capital expenditure on projects than revenue funding. The amounts involved are much greater, and subject to a range of variables over time. However, it is important for a URC to have a firm assurance about at least the early part of its planned capital programme, and to receive an ‘in principle’ statement regarding the longer term. Accordingly, funding partners should provide a clear, in-principle commitment to specified capital expenditure for at least three years from agreement of the regeneration framework and long term business plan, and to maintain a rolling three year capital expenditure programme thereafter, together with an indicative commitment for the period of the agreed business plan. Any figures will be subject to individual project appraisals and annual budgeting constraints, but it is important that initial business planning is realistic and provides the long term certainty that is central to URC success.

iii) Establishment of customised planning procedures and co-ordinated internal administrative arrangements in and amongst member local authorities in support of URC activities and projects. For example:

a) Planning committees focused on the URC area;

b) Joint planning committees where there is more than one local authority;

c) Identified personnel in local authorities to act as primary points of contact on URC matters and to act as URC “champions” internally – to ensure connections and avoid conflict between Departments on URC matters.

d) Memoranda of understanding to cement arrangements and, for example, procedures to ensure the URC team is kept informed and/or consulted on key local authority matters affecting the URC.

**Additional Criteria**

20. In addition to the above essentials, ODPM will need to see the following issues addressed in any URC submission, and will consider proposals on the clarity of purpose and process and on the strength of consistency with national policy aims set out here:

a) What is the *overall vision* which the URC and its partners aims to achieve?

   i) How will the URC create a positive impact beyond its immediate locality?

   ii) What barriers are there to achieving the vision, and how will the URC overcome these?

   iii) What role will each of the core partners play, in addition to funding the URC team’s running costs?

   iv) How does the vision fit into the wider regional economic framework?
b) **Specific aims** – what projects (in broad terms, but with any details already available) does the URC propose to tackle? What are the priorities, and what hard targets and milestones are in place and/or will be developed further through any new regeneration framework and business plan?

c) **How is the URC area to be defined?**

i) Does it contain a critical mass of sites for major projects that can realistically be brought forward in the context of a long term business plan?

ii) How does it relate to key planning framework documents?

iii) Does it overlap with or abut areas in which other associated central Government initiatives operate?

d) To what extent will the URC focus on the **reuse of brownfield land**? ODPM will be looking for a high proportion, in pursuance of Government targets for sustainable communities and protecting the countryside.

e) **What impact will URC activities be expected to have on areas suffering high deprivation?** Such areas – defined in relation to the Super Output Areas in ODPM’s published Indices of Deprivation 2004 (taking the 20% most deprived SOAs in England as the benchmark) – need not be contained within the boundaries of any URC, as this will often be defined by the brownfield opportunities available for large scale development projects; but ODPM will look more favourably on URC proposals that will have a positive impact on SOAs suffering from prominent deprivation. Any submissions should explain how the URC will benefit such areas, while taking account of the need to avoid displacement activity and negative impacts elsewhere. (See ODPM’s web site: www.odpm.gov.uk under Neighbourhood Renewal Unit)

f) How will the URC’s activity and objectives link with other central Government, regional, sub-regional and local initiatives? ODPM will be looking for complementary aims and activities, and the avoidance of repetition and unnecessary overlap or bureaucracy.

g) Any other justifications and requirements – for example, a particular regeneration and/or best practice theme stemming from local/regional need. We will expect to see an immediate and long-term commitment to implementing best practice in all areas of activity, in support of the URC ethos of setting exemplar standards.

**Conditions**

21. In line with good practice, ODPM will require (when granting approval) all new URCs to address the following principles in their formation and operations:

a) A **long term business plan to be produced within a specified time**. Although this often cannot be produced until after the initial baseline research has been completed and collective agreement to a regeneration framework agreed, conditions attached to Government approvals will seek the preparation of a full business plan as a top priority within a specified timescale.
b) **Sign-up by all funding members and the URC team to the monitoring and reporting framework** that is being developed by ODPM and EP. This will be a light-touch framework, utilising and building upon existing monitoring and reporting arrangements, and is intended to provide information of use to all key partners and the URC teams, and to feed into long term evaluations of effectiveness.

c) **Adoption of a three year rolling capital expenditure budgeting system** (ie maintaining a three year forward expenditure plan and reviewing annually) as set out in paragraph 19(j)(ii) above and as applied to all relevant members so that the URC can plan ahead in light of the best available information.

d) **Establishment of a system of joint appraisals for capital projects**, through arrangements to be agreed between key partners (normally the RDA and EP and/or the RDA and local authorities, or all three. Joint appraisals with the Government Office where European funding is involved may be less appropriate because of differing issues and requirements, but even then there should be close co-ordination of appraisal framework design and application.)

22. Other conditions may be imposed, depending on the individual circumstances.

**Approval Process**

23. Inclusion as part of the Government-led URCs programme requires formal endorsement from the Office of the Deputy Prime Minister.

24. In addition, under existing legislation, the Regional Development Agencies needs DTI consent for involvement in the company, under Section 5(2)c of the Regional Development Agencies Act 1998; and English Partnerships requires ODPM consent for their participation, under Section 160(1)(g) of the Leasehold Reform, Housing and Urban Development Act 1993.

**APPLICATIONS**

25. There is no official form to use when applying for URC status, but proponents are advised that ODPM will look to the guidance given in this document when considering proposals.

26. **In putting forward proposals to ODPM, any submission should, in addition to aspects addressed elsewhere in this guidance:**

   a) contain a detailed profile of the proposed URC area, including a description of the scope and scale of private sector development and investment activity in and around the area;

   b) be accompanied by a SWOT analysis showing the area’s main land & property and socio-economic characteristics and summarising other issues;

   c) explain what alternative delivery mechanisms have been explored and why they are not considered suitable;
d) explain what will is required in terms of baselining work, including an indication of issues to address and key long term indicators and the statistical and spatial basis for them;

e) allied to (d), a clear indication of the proposed monitoring and evaluation arrangements for the proposed URC. These will of course have to be tailored to local circumstances, although please note paragraph 21(b) above. Any individual monitoring and evaluation framework for the URC must enable the impact of the URC to be measured beyond its boundary, in order to assess the migration of values and benefits in the wider context and identify both losses (including through displacement) and gains in neighbouring areas;

f) explain what particular areas of expertise or other requirements the proposed URC Board and team will be looking to recruit;

g) explain what targeted resources there will be from each of the main funding partners;

h) explain what pro-active use by them of the necessary powers to achieve the agreed strategy is expected – eg land assembly and compulsory purchase powers;

i) explain the expected life span of the URC.

27. Although it will be primarily for relevant RDAs and local authority partners to establish the case for a new URC and to drive discussions thereon, an early meeting with the Government Office and with the ODPM policy sponsors will often provide clarity and help identify key issues and potential problems and opportunities. Such a meeting is most helpful after the partners have worked through this guidance and, if still committed to establishing a URC, have produced an initial draft submission. A visit by government officials to the area of the proposed URC is a standard part of the approval process, is usually undertaken in conjunction with any meeting, and is hosted by the applicant RDA/local authority.

28. In addition, a number of legal pro-forma documents (Memorandum of Association; Articles of Association; Members’ Agreement; Funding Agreement) have been prepared by the legal firm Eversheds, commissioned by English Partnerships (see the website, “http://www.urcs-online.co.uk”), and are accepted by government as a suitable basis for the material required for incorporation. These are currently under review in light of the findings of this stocktake and other experience.

29. For ODPM, applications should be sent to:
Regeneration Sponsorship Division
URCs Team, Zone 1/C2
Eland House
Bressenden Place
London SW1E 5DU
[Tel: 0207 944 2643]
30. For DTI, applications should be sent to:
   RDA Sponsorship and Finance Directorate
   Finance and Governance Team
   Bay 4114
   1 Victoria Street
   London SW1H 0ET
   [Tel: 0207 215 3887]

31. Where EP intends to participate as a partner in a URC, it is for them to apply for approval
directly to ODPM, concurrently with the RDA application. RDA and EP requests for
Departmental approval should be submitted ahead of any final submission for ODPM
endorsement of the URC.

**APPROVAL**

32. Queries relating to any aspect of the case must be resolved before it can be submitted for
approval to Ministers. URC status, and EP participation where appropriate, are matters for
ODPM ministerial approval; consent for RDA involvement is given by DTI officials under
delegated authority.

33. Once all outstanding queries have been answered, ODPM’s target for securing a Ministerial
decision is 4 weeks from the final submission.

34. Approval letters are issued by ODPM & DTI officials, addressed to the RDA officer or
local authority officer submitting the original application, and copied to the Government
Office, and EP as appropriate.

35. Approvals are likely to be subject to certain conditions, as indicated in the main text of
the Guidance. Failure to comply with such conditions will render the consent void.

36. Following the necessary approvals, it is then for the partners to proceed with registration of
the company, recruitment of staff, and all other necessary business processes.

**Follow Up**

37. ODPM will maintain contact with individual URCs as a means of informing Ministers on
delivery of policy objectives. In order to assist ODPM with its responsibilities, including to
Parliament and in the interests of good practice and value for money, a monitoring and
reporting framework for all URCs is being finalised. It would be helpful if, in addition,
ODPM was sent copies of key documents and announcements relating to any individual
URC, at the contact address given above.

38. Work is in hand to prepare for an evaluation of the effectiveness of the three pilot URCs
(Liverpool, Sheffield and East Manchester) in their first five years of operation. All URCs
should expect to be subject to similar evaluations, in line with good practice for any
Government-led delivery programme.

ODPM  Regeneration Sponsorship Division  May 2004
ANNEX

Roles and Responsibilities of Main Public Sector Bodies

Office of the Deputy Prime Minister

- Responsible for urban/regeneration policy and sponsorship of English Partnerships.
- Provides funding for EP and the RDAs.
- Provides general support to the URCs, individually & collectively.
- Monitors and evaluates the URCs programme at central Government level.

Department for Trade and Industry

- Responsible for sponsorship of the Regional Development Agencies.
- Responsible for policy on companies legislation and strategic economic development as delivered by the RDAs.

English Partnerships

- Manages and supports URC programme, including guidance and best practice advice.
- Helps fund individual URCs where appropriate and within resource constraints – including provision of land and capital expenditure for physical projects, regular funding of running costs, and use of land assembly skills and compulsory purchase powers.
- Links with other national programmes. EP has a particular national role in relation to the delivery of high quality, sustainable, development and especially housing.

Regional Development Agency

- Determines regional economic priorities and key areas for URCs as delivery mechanisms.
- Helps fund individual URCs where consistent with RES and within resource constraints – including provision of land and capital expenditure for physical projects, regular funding of running costs, and use of land assembly skills and compulsory purchase powers.
- Links with other regional and sub-regional programmes.
Local Authority

- Determines appropriate area for use of URC as delivery mechanism, in conjunction with other local authorities as necessary and in discussion with RDA.
- Helps fund URC, including provision of land and capital expenditure for physical projects, land assembly, regular running costs funding, and use of compulsory purchase powers.
- Supports URC through dedicated planning and other decision-making procedures, and makes links with other local initiatives and policies.

Government Office

- assists in determining appropriate area for use of URC.
- advises on and processes appropriate European and other funding streams.
- advises ODPM and DTI on individual URC proposals, cross-cutting issues, relationship to other regeneration strategies and consistency with national and regional policies.
- Information and communication role, through observer status on URC Board.